

FINANCIAL TIMES

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D 8523 B

Vietnam opens
doors to
business, Page 4



World news

Business summary

Israeli may face early poll

A crucial debate within the Israeli cabinet today could lead to an early general election. Foreign Minister Shimon Peres forecast an election over his proposal for a Middle East peace conference which he will put before a vote of the cabinet. This plan is opposed by the Prime Minister, Yitzhak Shamir.

In a television interview Mr Shamir reaffirmed his opposition to an international conference and accused Mr Peres of wanting to give up the Israeli-occupied West Bank and east Jerusalem. Mr Peres will ask the cabinet to vote on a proposal for a non-binding international conference leading to direct negotiations between Israel and its Arab neighbours. Page 4

Punjab violence

Fifteen people have been killed in the north Indian state of Punjab over the weekend. Police have blamed the latest outbreak of violence, the worst this year, on Sikh extremists seeking an independent homeland. Page 4

Iceland coalition

Iceland's President has asked the Progressive Party chairman to try and form a new coalition government following last month's indecisive election.

Moscow visit

Britain's Labour foreign affairs spokesman, Denis Healey, arrived in Moscow for arms control talks with senior Soviet government officials.

Mitterrand on top

President François Mitterrand celebrated six years as France's first Socialist leader with an opinion poll showing he has gained popularity with the electorate.

Philippine election

The army was placed on full alert as Filipinos prepared to go to the polls today to elect a new congress, the first democratic election in 15 years.

Kim under threat

South Korea's Government may prosecute opposition leader Kim Young Sam for contempt of the state. Page 4

Malta count starts

Counting began in the Maltese general election after a record turnout of voters. Troops sealed off the building where the count was being held, a former British naval barracks. Page 2

Pilot's bravery

The pilot of the Polish aircraft, which crashed, killing all 163 people on board, abandoned attempts to land at Warsaw airport to avoid the chance of striking the populated outskirts of the capital, airline sources said.

Airport re-opens

Beirut airport re-opened after being closed for 98 days. The first aircraft to land was greeted with cheering by spectators. Page 4

Disease outbreak

A type of Legionnaire's disease has affected 200 people at a rubber factory in the Soviet Union, the newspaper Izvestia has claimed.

Prisoner dies

Sadamichi Hirasawa, 35, claimed to be the world's longest serving prisoner on death row, has died in a Tokyo hospital. He had been in prison since 1948.

Marathon winners

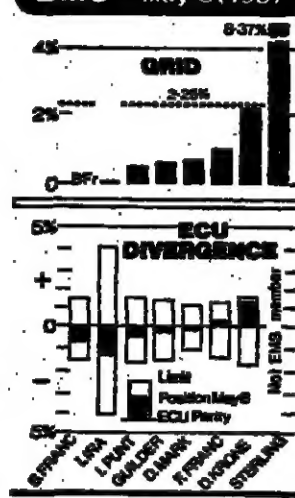
Japanese athlete, Hiroshi Taniguchi, 27, won the London marathon in 2 hrs 9 mins 50 secs. The women's event was won by Norway's Ingrid Kristiansen, 31, who finished outside a new world record time. The Geneva marathon was won by Briton Adrian Hackett, with Soviet runner Alexandra Tarasova taking first place in the women's event.

Merrill securities lifts loss to \$275m

MERRILL Lynch, the US brokerage firm, said its recent trading losses in mortgage-backed securities, which caused a big reshuffle of senior management, will total about \$275m, \$25m more than previously reported. Page 43

EUROPEAN Monetary System: The dollar's continued fall was enough to prompt central banks into further intervention last week. There was growing concern that a switch from the dollar into D-Mark would put pressure on the weaker members of the system. Earlier in the week the Italian lira fell to a record low against the D-Mark, and several

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all central banks were active selling the D-Mark. All currencies were trading well within their divergence limits, but the weaker members were showing a steady decline from levels held at the beginning of the year.

● **Currency markets in Italy** are expected to open nervously today as a result of the central bank's decision to tolerate a significant fall in the lira against the D-Mark. Page 2

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2 1/2 per cent. The lower chart gives each currency's divergence from its central rate against the European Currency Unit (ECU), itself a basket of European currencies.

US FEDERAL Reserve Board chairman Paul Volcker described American interest rates as "somewhat high" during a private visit to Venezuela. He expressed optimism that the dollar would stabilise.

TELETRA, the Fiat subsidiary which is about to be merged with Italtel, the state-owned telecommunications company, has reported a 30 per cent increase in net profits last year to L40.2bn (\$34.1m). Page 21

ALLIED Lyons, which brews the Australian Bond Corporation's Castlemaine XXXX in the UK, is to brew and distribute two of Bond's Swan lagers. Page 19

IVECO Ford Truck and Leyland-Daf, both recently merged, are neck and neck for leadership in the UK truck market. Page 18

UK DRUG industry plans to spend more than \$800m on research and development this year, 11 per cent of the national total for R&D. Page 6

ABOUT 450,000 people in the UK are out of work as a direct result of the EC's Common Agricultural Policy, according to an Australian study. Page 19

A 20m (\$70m) bond issue arranged in Kuwait for Finland reinstates foreign borrowing in Kuwaiti dinar bonds after a five-year de facto moratorium, according to Kuwaiti banking sources.

GENERAL Motors is following Ford by increasing car prices in the UK by an average of 2.1 per cent. Page 10

FISHING BOAT law in the UK is to be tightened to prevent foreign boats registering as British and having their catches counted as part of the UK quota. Page 10

OECD calls for changes to avert world recession

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

GOVERNMENTS of leading industrial countries have been warned that without a change in their economic policies there is little prospect of a significant reduction in international trade imbalances and a risk that a sliding dollar will tip the world economy into recession.

The warning comes in a study prepared for this week's meeting of finance ministers of the 24-member Organisation for Economic Co-operation and Development in Paris.

It suggests that efforts to stabilise the dollar around present levels will be fruitless unless the US, Japan and West Germany do much more to live up to their commitments to co-ordinate macroeconomic policies.

The study, which coincides with signs that efforts by governments to establish greater co-ordination are under serious strain, outlines three possible scenarios for the development of the world economy until 1992.

The first assumes that the present thrust of policies in the major economies remains unchanged.

In those circumstances it predicts a small fall in the US current account deficit and in the parallel surpluses in Japan and West Germany.

But the reduction in the imbalances is unlikely to be enough to stem protectionist pressure or satisfy financial markets.

That in turn would risk a renewed slide in the value of the dollar and possible chaos on financial markets. The study says that this second, or "business-as-usual", scenario points to sharp rises in US interest rates, much slower economic growth, and possibly, a world recession.

The OECD believes that this danger can be avoided if governments commit themselves to the third "policy-adjusted" scenario. That would entail major reductions in the US budget deficit coupled with a stable and co-ordinated fiscal expansion in Japan and West Germany.

The scale of the required policy changes, however, goes significantly beyond anything that governments of the three economies have so far been able or willing to implement.

The implication - which was also clear from last month's analysis in the International Monetary Fund's Economic Outlook - is that the dollar is likely to fall further against other major currencies.

Governments of the leading industrial countries are still in theory committed to February's Paris agreement to seek to stabilise the value of the dollar. But senior monetary officials believe that the credibility of that pact is now seriously threatened.

In preparations for next month's world economic summit in Venice, US efforts to establish a more coherent structure for international co-operation through agreement on "norms" - or policy goals - for each government have apparently stalled.

The officials say that neither West Germany nor Britain has so far been prepared to accept the US ideas and that the Bonn and London governments have become increasingly irritated by Washington's persistence.

According to some sources, relations between Mr James Baker, the US Treasury Secretary, and Mr Nigel Lawson, Britain's Chancellor of the Exchequer, are particularly frosty.

At the same time, a number of governments have become increasingly

Continued on Page 20

Editorial comment, Page 18

IRA funerals pose test

BY HUGH GARNHEY IN DUBLIN AND OUR BELFAST CORRESPONDENT

THE FIRST of the funerals of eight gunmen shot dead on Friday night took place in Northern Ireland today, posing an awkward test for the security forces as they cope with the aftermath of the Irish Republican Army's biggest setback for years.

There were several IRA attacks and widespread rioting in nationalist areas of Belfast, Londonderry and other towns across the province over the weekend following the death of the eight at Loughgall, Co Armagh. It was the greatest loss of life by the IRA in a single incident since the troubles began in 1969.

The British Government will be encouraged, however, by one feature of the reaction to Friday night's events: the lack of public criticism of the British army and Royal Ulster Constabulary by the Dublin Government and the main moderate nationalist party in the North, the Social Democratic and Labour Party.

Both Mr Brian Lenihan, the Irish Foreign Minister, and Mr Seamus Mallon MP, deputy leader of the SDLP, concentrated on condemning IRA violence.

Mr Mallon said he was greatly concerned about the death of an innocent passing motorist in the shooting but said the circumstances of the killings were entirely different from the killings by police of unarmed IRA members in 1962 which led to bitter criticism of an alleged "shoot-to-kill" policy.

Mr Tom King, Secretary of State for Northern Ireland, confirmed his comments to saying responsibility for the incident clearly lay with the IRA.

The eight gunmen were shot dead as they mounted an attack on the Loughgall RUC station. The police and army units present, apparently including members of the Special Air Services, were informed in advance of the assault, either by an IRA informer or through surveillance work.

The dead gunmen were all from the East Tyrone brigade of the IRA, including senior activists Jim Lynagh, Pat Kelly and Pat MacKearney, the latter an escapee from the Maze prison.

Their removal will be a severe setback to the IRA in a key border area and a blow to the organisation's morale generally just as it was riding a wave of violence which had put the police and army on the defensive.

The RUC scored a further success on Saturday when a big cache of arms was discovered in west Belfast, including two RPG-7 rocket launchers and five rifles. But the IRA, which has demonstrated a renewed vitality in recent months, will be keen to root out any information that might have tipped off the security forces about the Loughgall attack and mount revenge attacks to reassert itself.

This means that the expected UK general election campaign will be fraught with tension.

Barbie trial to open in Lyons

BY GEORGE GRAHAM IN LYONS

MR KLAUS BARBIE, the former chief of the Gestapo secret police during the Second World War, today begins his third and most spectacular trial in France.

Twice before he was condemned to death in his absence for murder and torture. This time, Mr Barbie is accused of crimes against humanity.

Mr Barbie first became notorious in France for the arrest of Mr Jean Moulin, the personal representative of General Charles de Gaulle.

Mr Moulin died in German captivity. His death does not feature in the current trial.

The main charges against Mr Barbie are:

● The arrest and deportation of 84 Jews seized in a raid on Lyons' Rue Sainte Catherine in 1943.

● The deportation of 44 children from a Jewish refuge at Izieu near Lyons, in 1944.

● The deportation of 650 Jews and French resistance members in August 1944, only a few days before German forces were driven out of Lyons.

A specially built courtroom in the vast waiting room of Lyons' Palais de Justice will house the main trial, but across the River Saône Jewish groups have tried to broaden the issues to put Nazism itself on trial.

In the Place des Terreaux, just in front of Lyons' town hall, they have raised a 65 foot high cube of white canvas as a silent memorial to the 8,325m who died in Hitler's concentration camps.

The cube will be inaugurated this morning and will stand as long as Mr Barbie's trial lasts - at least the next two months.

Many Frenchmen fear that the court case will prove to be the occasion for a third trial, that of France's attitude during the period of the German occupation.

Mr Jacques Vergès, Mr Barbie's defence lawyer, has warned that he plans to turn round the charges against his client and accuse French collaborators and members of the resistance.

The first such counter-accusations have begun to fly. The West German magazine Stern, which printed the forged Hitler diaries, last week published an article by an American expert on the hunt for Nazi war criminals claiming that Mr Barbie was helped to escape from Europe by Mr André François-Poncet, France's ambassador to Germany both before and after the war.

The claim was hotly denied by Mr François-Poncet, the ambassador.

or's son and himself a former French Foreign Minister.

But already the Barbie trial has provoked some sour reminders that Nazi ideology found ready echoes in France.

A march on Saturday in honour of Jean de Arc joined Lyons' royalists and members of the extreme right-wing National Front Party with black-shirted neo-Nazis.

An Arab youth centre in Lyons was sacked last week by vandals who left pictures of Barbie and daubed extreme right-wing slogans.

"I am now very worried. I am afraid of all the extremes, and I am having all those who in my view are liable to cause trouble watched," Mr Georges Bastille, Lyons' prefect of police, said.

These incidents have worried Lyons' town council, which fears they could spoil the atmosphere it has tried to create for the 800 journalists who have come to report on the trial.

Green-striped awnings cover the terrace of the press centre overlooking the River Saône, where the municipality dispenses hospitality, free commemorative watches and gourmet guides in a desperate bid to convince reporters that Lyons has more to offer than memories of the occupation.

Thatcher set to announce June election

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

A BRITISH general election in June is likely to be confirmed at lunchtime today, as the ruling Conservative Party launches its campaign for a third term in office by stressing its continued radicalism in face of attempts by Labour and SDP/Liberal Alliance opposition to regain the political initiative.

June 4 remains a possibility to permit a short campaign although June 11 has been the favourite date at Westminster.

Parliament will meet during the next few days to complete as much as possible of the Government's legislative programme. The parties will formally start their nationwide campaigns, including the publication of manifestos, early next week, but party leaders will use this week's "honeymoon" period to set out campaign themes.

Mrs Margaret Thatcher, the Prime Minister, yesterday held just over two hours of talks at her country residence on election timing and tactics with seven senior ministers on her strategy group - commonly known as the A team.

Barring any last-minute change of mind, Mrs Thatcher is expected to hold a special Cabinet meeting before obtaining formal approval from Queen Elizabeth for a dissolution of parliament. The date will then be announced from Downing Street.

She was faced with the virtually unanimous advice of senior advisers, including those who had favoured a later date, that June offered a good opportunity to secure re-election. This was based on a detailed analysis by Conservative Central Office of last Thursday's local election results and private opinion polls, the last of which only arrived yesterday. These have confirmed that Tory support nationally is over the 40 per cent level needed for a comfortable overall majority in the House of Commons.

A poll taken last week for independent television puts the Tories on 44 per cent, against 33 per cent for Labour and 21 per cent for the Alliance. This is slightly higher for the first two parties, and rather lower for the Alliance than other surveys.

Mr Nicholas Ridley, the Environment Secretary, admitted in a BBC interview that June had become a "probability." He said: "I think we have been pushed by the media, by the City, by investors and opinion all over the world to clear up the uncertainty and get on with it."

Reflecting what is likely to become a familiar Tory refrain, Mr Ridley said the Government would have "to fight" for victory, which was by no means certain. Tory lead-

ers are concerned about possible complacency among their supporters, leading to a drift to the Alliance.

Consequently, the Tories will seek to stress the range of their new ideas. Mr Ridley said the manifesto contained "extremely radical and exciting policies" on urban policy and dealing with dereliction in inner cities.

He confirmed that priorities in the manifesto would be "areas of life we have not yet got right," such as unemployment, local government, housing and education. The emphasis, he said, would be moving power down to parents and teachers, to tenants and homeowners and to developers and investors, rather than local authorities.

The Labour Party's national executive and Shadow Cabinet are due to meet tomorrow to agree on the party's manifesto. Particularly sensitive areas will be the phasing of defence on which the Tories are likely to attack. However, Mr Denis Healey, the party's foreign affairs spokesman, will be absent since he will be in Moscow, at the invitation of Soviet leaders, to discuss arms control.

It is already clear that, unlike 1983, Labour's manifesto will be cautious, with few detailed commitments apart from a £6bn (£10bn) programme to reduce unemployment. The main campaign themes will be jobs, boosting manufacturing industry and expanding the health and education services.

The Alliance's general election campaign committee met for the first time in London last night under the chairmanship of Mr John Pardoe, the former Liberal MP. One of its central themes will be the "responsibility" of its economic approach, and tomorrow it will publish five-year public-expenditure plans.

This programme will include revised social security and tax plans which, unlike original proposals last summer, avoid any extra payments for most middle-class taxpayers.

Once the election date is confirmed, last week's informal discussions between the parties at Westminster will be quickly formalised with the rearrangement of legislative business. The bill to abolish domestic rates (property taxes) in Scotland will be finally approved on Wednesday.

The main outstanding issues are how much can be salvaged from the Finance Bill, now in committee stage in parliament, and the massive criminal justice measure.

Analysis, Page 8

Further dollar fall seen as essential to US

THE FALL of the dollar to around ¥140 brought production costs in many US industries down to the levels in Japan, West Germany and other advanced competitor countries. But the dollar will have to decline a good deal further before there is any major improvement in US trade figures or American industry's international market share.

In particular, many US industrialists see ¥120 as an important milestone which will have to be passed by the dollar before the rising trend of Japanese import penetration is decisively reversed.

These are among the most immediate conclusions emerging from nearly 100 interviews with senior industrialists, politicians, academics and labour leaders, conducted all over America in the last two

By Anatole Kaletsky in New York and Guy de Jonquieres in London

months. The widely shared view on currencies was summarised by Mr Bob Lutz, executive vice president of Chrysler.

"At ¥240 to the dollar, America was obviously doomed, completely wiped out as a manufacturing nation. At ¥150, we at Chrysler were broadly cost competitive on cars landed in the US. At ¥140, Toyota and the best of the Japanese manufacturers are still finding ways to make their exports profitable. At ¥120, the Japanese will hit their death level - ¥120 will really clean them out."

Mr Thomas Graham, president of USX (formerly US Steel), made a similar point: "At ¥200 we felt we were already the low-cost supplier to most of the US market. Now we are sure of this. But the currency thing isn't over yet - the dollar will certainly go down to ¥120."

Mr Roger Smith, chairman of General Motors, said he believed that the new Chevrolet Beretta rolling out of GM's totally refurbished plants in Delaware and New Jersey were probably the lowest cost cars in the world. But on average, GM's total costs remain somewhat above Toyota's, even at today's exchange rate.

GM's total labour costs per hour are \$24 and standard hourly wages, according to the United Auto Workers, are about \$13.50. At Toyota, the average shop floor worker costs a total of ¥2,530 an hour, 80 per cent of which is paid in wages, overtime and bonus. Thus, at last Friday's closing exchange rate of ¥138.7 to the dollar, Toyota's labour costs are

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The FT today launches a series of articles which examine the reasons for falling US industrial performance and assess the efforts of American corporations to reverse the decline. Page 18

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OVERSEAS NEWS

Canadian politician resigns

By Robert Gibbons in Montreal

DONALD JOHNSTON, 50, a senior minister in the 1980-84 government of Mr Pierre Trudeau, has resigned suddenly from the shadow cabinet of the opposition leader, John Turner, to speak out against the Meech Lake constitutional accord.

Mr Brian Mulroney, the Prime Minister, and the 10 provinces reached the agreement 10 days ago on a formula to bring Quebec into the 1982 Canadian constitution. The liberal opposition under Mr Turner generally welcome the agreement, while stating reservations about certain aspects.

Mr Johnston, a friend of Mr Trudeau, and who sits for a key Montreal riding, has stepped down as Mr Turner's foreign affairs adviser, saying he will attack the formula.

"I see long-term consequences that could radically change the shape of the federation from a political, social and economic point of view and I must speak out on this issue," he said.

Ottawa and the provinces agreed the constitution should recognise Quebec as a distinct society within Canada. All provinces have a veto on constitutional change affecting parliament, the supreme court and provincial boundaries, and can opt out of shared-cost national programmes.

EC spending limit talks doomed

BY QUENTIN PEEL IN BRUSSELS



Jacques Delors (left) and Onno Ruding who face some tough talking

ATTEMPTS by European Community finance ministers to impose a coherent system of spending control on the EC budget appear doomed to failure this week and may be abandoned.

Disagreement between the 12 states on how to fix a ceiling on spending, compounded by their differing priorities on whether the cash should go to agriculture or social and regional policies, coincides with spending estimates for 1988 far in excess of the limit on budget contributions.

Although the finance ministers are supposed to be conducting a thorough debate on the European Commission's proposals to raise their national contributions to the budget between now and 1992, to avoid their perennial budget crisis and share the burden more equally, there is no sign of any emerging consensus. Hopes are fading, therefore, for any decision in time for the 1988 budget.

The 1987 budget agreed last year at Ecu 36.4bn (£25.34bn) is now said by the Commission president, Mr Jacques Delors, to be in need of an extra Ecu 5bn because of higher agricultural spending and lower revenues than expected as well as a deficit on the 1988 budget. The ministers will have their first full discussion today on three key issues related to the crisis, on none of which they can agree:

● The future financing pro-

posals of the commission; ● The immediate Ecu 5bn (£3.5bn) gap in the 1987 budget; ● The spending ceiling for 1988 to respect the ministers' own rules of "budget discipline."

Only in mid-week will the commission formally agree its preliminary draft budget for 1988 and its precise supplementary budget for the current year. But the draft is expected to come at about Ecu 43bn, compared with available revenues of about Ecu 38bn, leaving a similar financing gap in 1988 to that in 1987.

The problem facing both commission and Council of Ministers in the budget process is that the spending figures have ceased to bear much relation to cash resources.

The budget discipline proposals on the table suggest alternative maximum spending limits for 1988 of Ecu 36.6bn, Ecu 37.3bn or Ecu 40.9bn, depending on the base year for farm spending chosen in the calculation.

Mr Nigel Lawson, the British Chancellor of the Exchequer, and Mr Onno Ruding, the Dutch Finance Minister, are expected to press for the most

rigorous possible interpretation of rules agreed in 1964—keeping spending down to one of the two lower figures.

They want strict adherence to the budget discipline formula: that farm spending must grow no faster than the growth rate of EC revenues, taking 1984-85 as the base year; and other spending must be kept to a "maximum rate" calculated for 1988 at 7.4 per cent. On their calculations, the farm budget growth would be kept to less than two per cent.

Others argue that such rigour is unrealistic: after two years in which farm spending has broken through the limits, retaining the base of 1984-85 implies drastic cuts which would be politically impossible. They want to take 1987 as the base year.

The commission's budget plan implies an increase in farm spending of 18 per cent on the original 1987 figure—five per cent if the supplementary budget is assumed to be approved.

France and West Germany have a foot in both camps, wanting to see budget discipline respected (it was the idea of Mr Delors in 1988 when he was French Finance Minister), but also fearing drastic cuts in farm spending.

Whatever the outcome, the commission seems certain to be finalising its spending plans for 1988 without agreement from the finance ministers on the limit and little prospect of them reaching one.

W Germans remove bar to Ecu

By David Marsh in Bonn

WEST GERMAN banks will soon be able to offer customers bank accounts denominated in European Currency Units (Ecu) as a result of the dropping of objections to the move by the Bundesbank, the central bank.

Confirming its reputation for caution, the Bundesbank has given up its long-standing opposition to developing the Ecu at a time when private use of the European Community's composite currency unit is any way suffering a fall in popularity.

After previously dragging its feet over the issue for years, the central bank does not look likely to win any plaudits from foreign governments such as the French who have long been championing the Ecu as a means of furthering European monetary co-operation.

The Bundesbank, at a meeting of its policy-making central council last Thursday, agreed to a suggestion by Mr Gerhard Stoltenberg, the Finance Minister, that German residents now should be able to make deposits denominated in the currency unit.

Officials said banks should be allowed to offer Ecu facilities during the next few months, although they added they doubted if this would lead to a run by customers into Ecu accounts.

Poehl hints at need for tighter US policy to attract capital

BY DAVID MARSH IN BONN

Mr Karl Otto Poehl, the President of the West German Bundesbank, has issued a veiled call for a tighter US monetary policy to attract American capital inflows necessary to protect the dollar against a further damaging fall.

He warned that further depreciation of the US currency could bring both slower growth in West Germany and Japan and a "vicious circle" of higher inflation and more devaluation pressure in America.

Although Mr Poehl did not go so far as to advocate outright an increase in US interest rates, he said American monetary policy would have to take "due account" of attracting substantial net capital inflows to finance the US current account deficit.

Measures to allow monetary policy to take more of the strain, as well as to cut the US budget deficit, would be welcome. This would mean that the US was adhering to the same sort of disciplined financial "rules of the game" which had produced relative currency stability in the European Monetary System (EMS).

He noted that in recent months the US current account deficit had been financed largely by dollar intervention purchases by foreign central banks, not by net private capital inflows. This was "a sure sign that there is policy inconsistency," Mr Poehl said. Although in highly-guarded and diplomatic language, Mr Poehl, speaking last week at Harvard

University, delivered an ominous account of risks stemming from present dollar instability.

Mr Poehl's basic thesis is that the international monetary system, after already suffering a highly-disruptive period of dollar "overshooting" during its exaggerated appreciation between 1981 and 1983, may now be facing a dangerously overdone dollar decline which could dampen international growth at the same time as increase inflation.

He said the so-called "Louvre Accord" in February between the group of five countries and Canada did at least confirm the US shift away from "benign neglect" (over the dollar) to active concern. But Mr Poehl categorically denied that the February agreement was aiming to bring in any kind of "target rates" for the dollar to replace the floating exchange rate system. Mr Poehl's speech contained a clear hint of the threat to growth in both West Germany and Japan of the current rise of their currencies against the dollar.

He warned that so-called "J-curve effects" under which current account imbalances can persist or even be magnified by appreciation of surplus countries' currencies, "may turn out to be longer lasting than generally assumed."

This would mean that pressure on the foreign exchange markets would still be building up. Further appreciation of the yen and the D-Mark even after exchange rates had already adjusted sufficiently.

Bonn prosecutor probes Neue Heimat testimony

BY HAIG SIMONIAN IN FRANKFURT

MR ERNST BREIT, head of the Deutscher Gewerkschaftsbund (DGB), the West German trade union federation, and Mr Volker Lange, senator for economics in the Hamburg state parliament, are to be investigated by the Bonn public prosecutor's office on suspicion of giving false testimony to the parliamentary committee looking into the troubled Neue Heimat property group.

Neue Heimat, which is owned by West Germany's trade union movement, is Europe's biggest private housing company, it has been surrounded by a scandal

over mismanagement and corruption over the past three years.

The Bonn prosecutors have reacted to the findings of the special Bundestag committee into Neue Heimat, which sat between June 1986 and January this year. The committee's final report, delivered in February, allegedly pointed to contradictory testimony on the part of some witnesses.

The prosecutors are also to make a similar investigation into Mr Gottfried Scholz, the former head of the housing department at the Hamburg building authority.

Tension at Malta's polls

BY GODFREY GRIMA IN VALLETTA

SUPPRESSING tension and violence in the aftermath to Saturday's general election result remains a major worry for both Maltese Prime Minister, Dr Carmelo Mizzi, and his rival, Dr Eddie Fenech Adami, opposition and Nationalist Party leader.

The Prime Minister, on a gruelling 18-hour tour of every polling station on Malta and the offshore island of Gozo on Saturday made it clear his main concern was for law and order to be rigidly upheld, particularly in the hours immediately following the announcement of the result early today.

The leader of the opposition and myself have worked out arrangements to ensure we get out of this campaign as civilised people should. For the two parties it is important which

one of us wins but the overall best interest for Malta lies in law and order being maintained," the Prime Minister said.

One decision was for the victorious leader to immediately deliver a televised address to the country. This hopefully will discourage party supporters from pouring out into the streets to celebrate their party's victory at the polls.

The island's 1,800-strong police force and the 1,000 men serving in the paramilitary task force will remain on full alert.

Lines of communications between the two leaders are to be kept open.

Should he suffer defeat, Dr Mizzi Bonnici insists he will hand over power to Fenech Adami immediately.

Drop in value of lira creates nervous mood

By John Wyles in Rome

CURRENCY MARKETS in Italy open in a nervous mood today as a result of the Italian central bank's decision to tolerate a significant fall in the value of the lira against the West German D-Mark.

The Italian currency fell by 1.7 per cent to its lowest level against the D-Mark of DM 275.15 on Friday after only minimal central bank intervention. As a result, the lira was also substantially weaker down against other currencies, including the US dollar.

Adding to the uncertainty is expectation of relaxation of exchange controls this week. The government is expected to lift its requirement on purchases of foreign securities to lodge a non-interest bearing 15 per cent deposit with the central bank.

Italy has European Community permission to maintain this control until December 19.

Explaining its relative inactivity on Friday, the Bank of Italy says it was operating a more "flexible" policy. In reality, it is understood that the central bank is following a lead given by the Bank of France designed to put pressure on the Bundesbank to reduce West German interest rates.

Church tells Italians which way to vote

By Our Rome Correspondent

ITALY'S Roman Catholic Bishops at the weekend blessed their predictable, albeit veiled, recommendation that the faithful should vote Christian Democrat in next month's general election.

According to some observers, the Church's endorsement of Italy's dominant party was both stronger and less equivocal than previous pre-election messages. Its importance is judged to be enormous. Socialist Party leaders believe the Church's support may be worth up to 70 per cent of the Christian Democratic votes.

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OVERSEAS NEWS

Brazilian railway project attacked

By Ivo Dawson in Rio de Janeiro

A ROW has broken out in Brazil over a \$2.4bn (€1.4bn) railway project aimed at opening up the country's less-populated central region with the ports of the north.

First criticisms of the North-South railway—the country's most ambitious public works project for a decade—came at the scheme's announcement at Christmas. Several engineers, politicians and economists claimed the 1,700 km railway was too expensive and offered inadequate returns on the investment.

But President Jose Sarney, backed by the governors of states adjoining the proposed line, argued that the plan promised to do more to open up the country than any public work since the building of Brasilia and its road link to the Amazon port of Belem.

Approval was given earlier this month for a total \$2.4bn to be allocated to the scheme, with the first tranche of funding, \$540m, due to be authorised this year. Work is expected to begin next month.

The decision to push ahead at a time when Brazil has declared a moratorium on its \$113bn foreign debt, is seeking \$5bn over four years in new money from creditors and faces an economic squeeze at home has sparked a wave of protests.

Mr Alfonso Camargo Netto, a senator for the southern state of Parana which also seeks a rail line, is calling on the majority Democratic Movement Party (PMDB) to rule the scheme unconstitutional on the grounds that it is not part of the national development plan.

It has nothing to transport. It doesn't have economic viability and it is going to generate more inflation for the country as it will be money badly used," he said.

McFarlane set for Contra hearing

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT RONALD Reagan's involvement in the Iran-Contra arms scandal is destined to move back to the centre of political debate in Washington this week as Mr Robert McFarlane, a former Reagan Administration national security adviser, appears on Capitol Hill in televised public hearings before the congressional committee investigating the affair.

With much public attention last week focused on the spectacular collapse of Mr Gary Hart's presidential prospects, the first four days of hearings attracted less national attention than the White House might have feared.

Moreover, the first witness, retired Major General Richard Secord, a private citizen when he played his role in the scandal, for all the detail he provided had no dramatic new revelations to offer about Mr Reagan's participation.

Mr McFarlane however—a man so tortured by his role in the affair that he attempted suicide—as a top White House adviser until December 1985 is expected to provide information about what went on inside the White House which will not be helpful to Mr Reagan.

The president continues to insist that, like his fellow countrymen, he is watching the hearings to find out what went on.

The New York Times reported yesterday that Mr McFarlane intends to tell the committee that Mr Reagan ordered the staff of the National Security Council to help arrange support for the Contra rebels seeking to overthrow the government of Nicaragua.

But he will insist, the newspaper says, that Mr Reagan did not say

how it should be done and that neither he nor the president ordered the council to do anything illegal.

Mr McFarlane is also likely to be questioned closely on events as the scandal broke last Autumn. Mr Secord last week indicated that Mr McFarlane was involved in preparing a chronology of events which, the former military officer maintained, was inaccurate.

This charge, if correct, points to an early White House attempt to cover up details of the affair.

Canute James on the profitability problems facing hoteliers

Seasonal troughs batter Caribbean hotels

AS THE peak winter season nears its end, Caribbean resort countries are already assured that this year will see a record number of tourists— which in 1986 topped 8m for the first time. But although the region's hoteliers are savouring increased occupancy levels— despite their rooms being among the most expensive in the world—they are hard put to increase their properties' profitability.

Many of the region's governments now accept tourism as the only means of filling gaps in foreign earnings caused by depressed income from traditional commodity exports. They have all promoted the region, mainly in North America and Europe and, say officials, the effort is paying off.

The Caribbean's tourist industry grew in 1986 by 5 per cent in terms of arrivals, boosted by an increase in the number of US visitors. US tourists account for about 70 per cent of the region's tourism market and last year their number rose by 8 per cent.

It was not only intensive promotion, however, which attracted more visitors. The Barbados-based Caribbean Tourism Research and Development Centre (CTRC) says the growth in the number of US visitors reflected continuing fears about terrorism in Europe and the Middle East.

Caribbean countries are also boosting their efforts to exploit what is accepted as a potentially lucrative European market. The volume of tourists from Europe last year grew by about 11 per cent over 1985. Much of this increase is due to the UK market, which sent over 20 per cent more tourists to the Caribbean, the centre said.

Tourism officials say a fresh assault is being planned for West Germany, and Japan. However, although the region has room for about three times as many visitors as it attracts the market is seasonal, so summer business is slack.

But not all the resort countries in the region gained from the increases of last year. While Puerto Rico, for example, recorded growth of 12 per cent, Jamaica 16.1 per cent and Grenada 10 per cent, Aruba saw a 12.4 per cent decline. Tourist volume in Guadeloupe fell by 6.2

per cent in Trinidad and Tobago by 1 per cent.

The growth in the region's was supported by continued expansion in cruise ship business in 1986. Carrying on a trend which began in 1985, again, say hoteliers and government officials, many shipping lines diverted vessels from the Mediterranean to the Caribbean because of concern about terrorism.

According to the CTCRC's figures, the two biggest Caribbean cruise destinations, the Bahamas and the US Virgin Islands, reported increases of more than 30 per cent last year, while lower but still significant increases were recorded by Antigua, Barbados, Grenada and Martinique.

The CTCRC has projected continued growth in the region's tourism, based on expected expansion of the North American and European economies.

Despite the increases in business volume however, the region's hotels remain among the least profitable in the world because of high operating costs.

Although there have been increases in the volume of tourist arrivals in the Caribbean in 1986, room occupancy rates, a good indicator of utilisation and profitability in the accommodation sector, were generally lower than in 1985.

The study indicated that Caribbean hotels experienced low profitability despite recording revenues about a third higher than the world-wide average. Total revenue per available room was about US\$40,000 per year for Caribbean hotels, compared with \$35,000 in the Pacific and \$38,000 worldwide.

"Income before fixed charges was only \$6,000 per available room in the Caribbean, compared with \$11,000 in the Pacific and \$8,000 worldwide," the centre said.

"This is primarily due to higher operating and undistributed expenses in the Caribbean hotels."

Income before fixed charges for Caribbean hotels fell sharply between 1980 and 1982, but rose by 150 per cent between 1982 and 1985, largely due to an increase in room rates. This was not supported, however, by success in the attempts of Caribbean hoteliers to reduce their operating expenses.

Third World action urged on spread of AIDS

By Michael Holman

A LEADING British aid organisation has called for urgent co-ordinated action by all voluntary agencies working in the Third World to combat the spread of AIDS (acquired immune deficiency syndrome). In a 60-page report published at the weekend, War on Want warns that in Africa the virus is likely to spread from worst-hit countries along lines of transport. Southern Africa, says the study, "appears to have all the factors required for rapid spread of the virus," affecting, in particular, Zimbabwe, Mozambique and Angola, while South Africa "may face a major and widespread epidemic in the near future."

The report concentrates on Africa, where up to two thirds of the world's estimated 100,000 cases of AIDS are located. War on Want cites figures from a conference sponsored by the World Health Organisation which suggested that there could be 75m people dead or dying from AIDS in Africa in the next few years.

War on Want urges development agencies to help in the campaign against the virus. Non-governmental agencies need to pool their information, and programmes should be designed to cope with the impact of AIDS in specific areas, such as mining towns.

The report warns of the potential economic consequences of increasing deaths from the virus: "Cash crop and subsistence agriculture economies could be damaged."

Urban based economies may also be vulnerable, especially if skilled workforces are lost and cannot readily be replaced."

* AIDS: Proposals for Action, prepared by Robert Gross for War on Want, 37-39 Great Guildford Street, London SE1 0ES, 01-420 1111.

Manila puts military on alert in bid to preserve poll calm

BY RICHARD GOURLAY IN MANILA

AFTER THE freest, cleanest and least violent election campaign in 15 years, Filipinos go to the polls today to elect a new Congress with the greatest threat to polling coming from Moslem separatist guerrillas.

The military, however, went on top priority alert nationwide as a precaution against election violence and moved extra troops into Mindanao island, where Moro National Liberation Front Moslem rebel leaders last week threatened to disrupt polling.

Talks between the Moslem separatists and the government for autonomy in four southern islands broke down last week amid rebel threats to resume a sporadic 14 year secessionist war in which more than 50,000 people died in the early 1970s.

Elections in the Philippines have often in the past been marred by violence before and on polling day and by widespread cheating. This year over 80 died in election related incidents, less than half the number that died in last year's Presidential elections.

Results from the polls for 24 Senate and 200 Lower House representatives will take at least a week to emerge, with the first trends likely after two days.

President Corason Aquino has campaigned widely for two months in support of her administration ticket, calling for voters to reject the opposition which she said would only be obstructive.

Her personal popularity is likely to be a key factor behind a strong vote in favour of her chosen candidates, observers say.

Her main opposition comes from an alliance led by Mr Juan Ponce Enrile, the former Defence Minister, and right-wing supporters loyal to deposed President Ferdinand Marcos.

Mrs Aquino ousted Mr Marcos in a civilian-backed military revolt in February 1986 led by, among others, Mr Enrile.

Since she abolished the old constitution soon after taking power she has governed by Presidential fiat but has strongly supported the return of democratic institutions.

Mr Enrile broke with the administration last November after months of opposition from within the cabinet, when Mrs Aquino fired him for being associated with an alleged coup attempt.

Fielding a slate for the first time is a left wing party, the Partido ng Bayan, which the government says has strong links with Communist-led rebels who resumed an 18-year insurgency earlier this year after a brief ceasefire.

The PNB candidates have been the only party to grapple with the Aquino administration over issues, accusing her of merely taking over from where Mr Marcos left off and doing nothing to improve the lot of the 70 per cent of the population that still live below the poverty line.

Swiss official freed

MOSLEM kidnappers yesterday released one of the two Swiss Red Cross workers they had held in the southern Philippines since Tuesday, the military and the Red Cross aid, Reuter report: from Manila.

Alfonsin ready to make 'dirty war' concessions

BY TIM COONE IN BUENOS AIRES

ARGENTINA'S Attorney-General, Mr Juan Gama, has indicated that the Government does not consider middle-ranking officers guilty of human rights abuses when under orders from superiors.

In a report to the Supreme Court, published at the weekend, with a letter to President Raul Alfonsin, Mr Gama gives the first indication of government policy regarding the future course of human rights trials.

The definition, the torture and assassination of prisoners by junior-ranking officers (those mostly below the rank of colonel) would be excluded from the list of charges in the trials where it can be proved that the officers were not exceeding orders.

Mr Gama none the less recommended reform of military law preventing "blind obedience" to orders which would involve subordinates in a criminal act.

The issue has been controversial since the Government of President Raul Alfonsin came to power in December 1983 and began investigations into human rights abuses committed by security forces during military rule from 1976 to 1983, the so-called "Dirty War."

The military rebellion last month was sparked when the federal courts began hearings against middle and junior-ranking officers. The rebels demanded an end to the trials of the junior ranks and Mr Gama's latest interpretation of military and civil law is the first clear indication that the Government is preparing to make such concessions to the armed forces.

The Attorney-General's view differs considerably from that of the federal court judges who have already ruled that "aberrant acts," namely torture and homicide carried out by junior ranks, are punishable under civil law.

The judges are not obliged to heed the attorney-general's view in passing sentences in future trials, but the report will nonetheless influence the way in which state prosecutors act in the outstanding cases involving about 370 officers and junior ranks of the military and police.

Unrest continues in the armed forces and now extends to the navy. At an informal meeting at which the Secretary-General of the Navy was present, a senior naval officer told the Financial Times the navy would not tolerate the trials of middle and junior-ranking officers.

Although the report notes positive improvements since President Cerezo took office 16 months ago, Amnesty maintains it is still receiving disturbing reports of "disappearances" and political killings. Failure to establish an inquiry into past abuses may have helped encourage these new violations, Amnesty says.

The human rights organisation claimed that those responsible for human rights crimes of "staggering proportions" were shielding behind an amnesty law passed by the outgoing military rulers.

The call came in a 230-page report compiled by Amnesty International detailing abuses dating back to 1982. Amnesty expressed the concern that failure to prosecute might lead "those responsible for human rights violations to believe that they could act with impunity in the future."

Although the report notes positive improvements since President Cerezo took office 16 months ago, Amnesty maintains it is still receiving disturbing reports of "disappearances" and political killings. Failure to establish an inquiry into past abuses may have helped encourage these new violations, Amnesty says.

Icelandic coalition sought

ICELAND'S President Vigdis Finnbogadóttir yesterday asked Mr Steingrímur Hermannsson, chairman of the Progressive Party, to try to form a new coalition government, an official said. Reuter reports from Reykjavik.

Mr Hermannsson, Prime Minister since 1983 and shown by public opinion polls to be the nation's best-liked politician, has headed a caretaker government since last month's indecisive elections.

He said he would begin talks with party leaders. But observers said it might take months to form a new government and Mr Hermannsson might even fail.

In that case, the President is expected to appoint one of the other party leaders.

Mr Hermannsson told a radio interviewer that unless he could not forge a coalition quickly, he would relinquish the presidential appointment.

Mr Thorstein Pálsson, Independence Party chairman and Finance Minister in Hermannsson's centre-right government, has expressed doubts about further cooperation with the middle-of-the-road Progressive Party.

Observers said leaders of the conservative Independence Party and the Social Democratic Party were eager to form a majority government with either the left-leaning Women's Alliance or the Socialist People's Alliance.

Such a government would have the support of the influential labour unions.

Even after its crushing defeat in the April 25 poll, the Independence Party remains Iceland's biggest party. While no two parties have enough seats to form a majority, all three-party options involve the Independents.

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Bundesbank Relies on Wily Trader To Spot Vulnerability of Currencies

By THOMAS F. O'BOYLE
Staff Reporter of The Wall Street Journal

PETER FISCHER-ERLACH, with \$45 billion under his control, would be thought of as a powerful man in most lines of work. But the chief of foreign-exchange trading at West Germany's central bank, the Bundesbank, knows all too well that central banks don't wield the power they once did in influencing the value of a country's most visible asset, its currency.

Some \$285 billion is traded daily in the global foreign-exchange market, a four-fold increase since 1982. "It's incredible how big the market

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OVERSEAS NEWS

Toshiba agrees \$240m venture with Motorola

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

TOSHIBA of Japan and Motorola of the US, two of the world's leading semiconductor groups, are planning to inject about \$120m (£72.7m) each into a manufacturing joint venture in northern Japan.

The companies are expected to sign an agreement on the venture, one of the most far-reaching co-operative deals launched in the industry, at a meeting in Tokyo today.

They will also decide on the composition of the board which will include six directors from each company, and are likely to choose a chief executive from Toshiba. Most of the managers in the plant will be Japanese.

Negotiations on the structure of the new company have been under way for more than four months, with both sides taking a tough stance on certain issues, according to participants.

What has emerged is a dramatic example of the new fashion for joint ventures in the electronics industry—an agreement which brings together two groups which have a commanding position in their chosen fields.

As part of the accord, each company will inject some of its key technologies into the manufacturing venture based at

Irumi City, about 220 miles north of Tokyo.

Toshiba will supply its memory chips, where it has established a world lead in the manufacturing of the most powerful one-megabit products, while Motorola will hand over its microprocessor designs, a field in which it is rated among the top three companies in the world. Microprocessors, chips which are used to form the "brains" of computers, are the main strength of the US industry.

In addition, each company will have access to some technologies of the other. Toshiba will transfer its process techniques in memory chips, where it has established a strong reputation for its productivity and high yields, while Motorola will allow the Japanese group to buy certain microprocessor components.

A further element of the deal is a commitment by Toshiba to support the sale of Motorola products in Japan. This agreement is seen as one of the main reasons why Motorola has played a key role in the recent over-alleged Japanese semiconductor dumping in the US and the complaints of US companies over their lack of access to Japan.

Japanese telecoms proposal

By Ian Rodger in Tokyo

JAPAN'S monopoly international telecommunications carrier, Kokusai Denshin Denwa (KDD), has proposed that prospective competitors join it in a project to lay a new trans-Pacific cable.

This latest twist in the campaign in which Cable and Wireless of the UK is seeking to obtain a stake in Japan's international telecommunications business seems likely to complicate negotiations among the interested parties.

KDD and American Telephone and Telegraph (AT&T) announced 10 days ago that it had begun a feasibility study for their fourth trans-Pacific cable, TPC-4.

This followed the announcement by the Japanese Minister of Posts and Telecommunications, Mr. Shunjiro Karasawa, that he no longer opposed the proposal by the International Digital Communications (IDC) consortium, in which C and W has a leading role, to invest in an independent trans-Pacific cable.

IDC is one of two consortia seeking a licence to compete against KDD in Japan's international telecoms market. The other consortium, International Telecom Japan (ITJ), does not want to invest in new trans-Pacific cable capacity.

If it won a licence, it would sublet capacity.

Kenneth Gooding on the launch of GM's top-range model

Senator sales drive aimed at VIPs



The Senator, which is to be launched in the autumn

GENERAL MOTORS, the world's largest automotive group, is to present its new, image-building, top-of-the-range model for Europe, the Senator, to selected groups of VIPs and opinion formers and to government departments before the official launch in the autumn.

GM today gives first details of the low-volume model which was developed as part of the group's DM 2m "big car" project. The other model to emerge from this project was the Opel Omega/Vauxhall Carlton executive car, launched last autumn.

Whereas GM expects the Omega/Carlton to sell at the annual rate of 175,000 this year, the sales target for the new Senator is about 20,000 in 1988. In its best year, 1979, the old Senator and its sporty derivative, the Monza, sold 26,000 across Europe. However, since then competition in the large car sector has intensified, particularly in West Germany, the Senator's best market.

The newcomer competes with the new Mercedes mid-sized models, the Audi 100, the BMW 5-series (to be replaced by a radically different model next year), the Ford Scorpio/Granada and in some markets the Volvo 760-series.

Mr John Fleming, GM of Europe's vice-president in charge of sales, says that about half the new Senator's sales will be in West Germany. Western Europe's largest big-car market which accounted for

45 per cent of the 650,000 sold there last year.

The UK will be the next most important market and registrations there should be between 4,000 and 5,000 a year.

The Senator will be built alongside the Omega/Carlton at the Russelsheim factory of GM's Opel subsidiary in West Germany.

It shares some key components with the Carlton, in particular GM's new ACT (advanced chassis technology) suspension system, but Mr Fleming says the two models are very different — much more than the old Senator was from the previous Rekord/Carlton executive car.

"The new Senator has more personality than the old one and there is no chance of con-

fusing it with the Omega/Carlton when you see it on the road", he says.

Mr Fleming believes it is important that potential buyers should test-drive the new car. For that reason demonstration models are to be taken to be tested by the specially-selected VIP groups, mainly in Germany but also in other European countries.

GM's promotion will emphasise the high-tech aspects of the new Senator, including the fact that it is one of the most aerodynamic cars in production with a new shape which incorporates many advanced features.

These include flush glass all round, an integrated and sealed front-end bumper and spoiler moulding, and a special rear-end design which reduces the accu-

mulation of road dirt.

There are three models in the new Senator range: a 2.5 litre saloon, a 3-litre saloon and a top-of-the-line 3-litre CD. The engines are specially-developed versions of GM's in-line, six-cylinder units.

The 3-litre cars are fitted with new four-speed automatic transmissions with an electronic engine-transmission management system with three programmes: for economy, for power or for winter conditions.

GM claims the economy programme produces better fuel consumption than is possible with a 5-speed manual transmission.

The CD Senator has an electronic ride control system which allows the driver to select three different shock absorber settings, controlled by an on-board computer. This system is available as an extra-cost option on the other two models.

The new Senator is about the same overall size as the old model, but GM says it provides much more interior space and has a bigger boot.

Mr Fleming says that prices, when the cars go on the road in the autumn, will be 12 to 15 per cent higher than for the current equivalent Senator models.

Snooker thrives in Belgium

By Our Brussels Staff

RILEY LEISURE of the UK has opened its second snooker club in Belgium, where the sport is thriving as a result of television broadcasts of British matches.

Riley, which makes tables and other equipment, now has a club in Brussels as well as one in Liege and hopes to expand elsewhere on the Continent.

Mr Alan Deal, the Riley chairman, said the screening of British snooker matches in the Netherlands and parts of West Germany opened up new possibilities.

In the immediate future, however, Riley expects Belgium to be its most exciting overseas market and claims to be on target for a £2m turnover here this year and up to five more club openings (a typical club investment, he says, might amount to £100,000 to £150,000).

Belgium was fertile territory for snooker, given the long-standing popularity in clubs and cafes of billiards. Raymond Ceulemans of Belgium has been world champion for 20 years but without the benefit of constant exposure on the small screen he sadly lacks the star status of a Steve Davis.

One club manager in Brussels says 80 per cent of those who attend for the first time have seen the game on BBC television.

Arms probe company faces fresh crisis

BY KAREN FOSSIL IN OSLO

KONGSBERG Vapenfabrikk (KV) of Norway, accused of selling arms illicitly to Iran and the Soviet Union faces a crucial decision on its future today.

High-level meetings were held at the weekend to consider the options.

In early April, when KV reported losses for 1986 of Nkr 339m (\$30m) it planned to build its recovery around its defence systems division.

It now seems that it could be between Nkr 500m and Nkr 600m cheaper to form a new company, to be called Kongsberg Defence A/S, at a cost of about Nkr 750m, and Nkr 1.5bn, an amount the Government is thought unlikely to provide.

This comes at a time when KV is under investigation in Norway, West Germany and the US over alleged violation of Western limitations on technology exports.

Authorities in West Germany are investigating the supply of advanced West German 20 mm

firearms to Iran, from a company called Rhinemetall, which used components supplied by KV.

It is alleged that about 300 weapons were sent to Iran via Turkey.

Last week Norway sent a delegation of government officials to Washington to smooth over separate allegations that KV supplied numerical control systems to the Soviet Union for use in submarines.

Results of the US-led investigations could exclude KV from a large contract to supply the US with components for its Penguin defence missiles.

Kongsberg Trade, another subsidiary of KV, dissolved last week, was largely responsible for the arms links. The KV subsidiary was headed by Mr. Bernard Green, a Briton, who is accused of giving inaccurate information to US and Norwegian investigators.

Mr Green denies any wrongdoing. He said of the weekend: "In this case there is no question of spying or motives where payment was received... it was nothing of a bad nature." "In one way, to say the truth and get it out is a good thing. I'm sure it will be okay now."

SHIPPING REPORT

Pressure grows for rise in tanker freight rates

BY HAZEL DUFFY

STRONGLY RISING freight rates were evident in certain dry cargo markets last week, while an upward trend in tanker rates was expected as charterers came under some pressure.

Galbraith's, the London brokers, reported a steady stream of inquiries for large tankers from the Middle East, suggesting that charterers realise that Opec has virtually won the crude oil price war, and little is now to be gained from resisting their price demands.

The tanker market, however, is very evenly balanced between availability and demand, so it does not take much to tip the scales either way.

Some VLCC owners are said still to be holding off in the hope of seeing rates rise from Hormuz to the US for 245,000 ton tankers reach Worldscale 35 very soon. Meanwhile, interest in 130,000 ton tankers was maintained last week. West Africa was less active and rates tended to soften slightly.

Dry cargo rates look like being on a rising level into the summer. The Atlantic was particularly strong with rates

rising on forward positions as well. Brokers Denholm Coates report that this in itself has triggered a number of miscellaneous orders where charterers had been waiting for rates to take their normal downward course.

A surge in values and volume took the Baltic International Futures Exchange to its highest point since its debut two years ago. Last Friday, the index stood at 1,085.5 and trading volume rose to 1,121 lots. The strong upward movement was the outcome of demand on the main routes, which have the heaviest weighting in the index.

Beirut airport opens

FLOWERS, flags and cheers greeted a Middle East Airlines (MEA) Boeing 727 when it landed yesterday to officially reopen Beirut airport after a 98-day shut-down. Reuter reports from Beirut.

MEA, Lebanon's national carrier, halted flights when insurers withdrew passenger cover and the Christian Lebanese militia warned the airline not to use the airport runways.

FOCUS ON INTERNATIONALISATION OF JAPANESE MANAGEMENT

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Expanding in tandem with Japan's capital markets, New Japan Securities is one of the largest securities houses in Japan today, and it is rapidly expanding internationally.

With a 40 per cent lift in pre-tax profits to around ¥60 billion anticipated this year, New Japan Securities is firmly entrenched as Japan's largest securities company after the big 4. Ranked by market value its capitalisation of approx. ¥1 trillion is now larger than that of its long time US rivals, attesting to its rapid growth.

A growing international and domestic network leaves the company well placed to pursue further growth opportunities. It has established a growing presence in the Euromarket, for example, where it lead managed 6 issues in 1986.

New Japan Securities Co. President, Noboru Irie discussed the company's future prospects.

By Brian Robbins



Mr. Noboru Irie, President, New Japan Securities Co. Ltd.

Outpacing Foreign Rivals

Strong Tokyo market to continue

Robbins: Given the company's reliance on commission income, what is your view of the outlook for Japan's stockmarkets?

Irie: Stock prices have risen to very high levels and, while there is some concern about a sudden drop in the market, my view is that the basic upward trend will continue unchanged for some time. The first reason for this is that the present situation in Japan of sizeable surplus funds will not change in the immediate future.

In the private sector, in particular, there is an over-supply of capital. As a result, for financial institutions, it is difficult to supply capital in the form of loans. In addition, the corporate sector is having a difficult time trying to manage its capital—the bond rate is falling, along with interest rates generally, so capital will continue accumulating in the stockmarket. Of course, capital will also flow into the bond market, but mainly the stockmarket, where good capital gains have been achieved and will continue to be earned.

For individual investors, interest rates on savings have fallen and the rate of interest on fixed term savings is not so high, so they too are coming to the stockmarket, as their tendency to save money continues strong.

At the beginning of this year, Nippon Telephone and Telegraph was listed, and it has done quite well. New individual investors were attracted by this listing and it has served to make the market more attractive overall to small investors.

We saw a similar trend occur in the UK where privatisation also led to an increase in the number of small stockholders. This is part of what I call the overall "securification" of the market. In the area of investment trusts there have been a number of significant developments with modern portfolio theory and also computer funds management programs. In addition, futures trading will commence, along with stock options. These may be complemented by the start of a commercial paper market in Japan, which is presently under study.

These new types of instruments are simplifying the trend towards the overall rise in the market, particularly since they revolve around innovation and new products. The market won't rise in a straight line—there will be some minor corrections, but in terms

of percentage movements of the overall market, the corrections will be quite modest.

Rapidly expanding domestic network

Robbins: How well placed is New Japan Securities to cope with the eventual slowdown of activity in equity markets?

Irie: As part of our response to this, we are strengthening our retail network in Japan. At present we have 90 branches, and we will be expanding that to 100 branches.

Our traditional strength has been with corporate clients, but enlarging our branch network will leave us better placed for the future.

Overseas we now have 12 branches, and we intend a further sizeable increase. Along with this, we hope to expand our number of representatives overseas by adopting a more qualitative approach, not purely a quantitative one to our international representation. Already we have a sizeable operation in London, with 100 employees, but we have lagged slightly in our expansion in New York. We are remedying this, and we are sharply expanding our office space and boosting our staffing levels to handle a much larger volume of business there. As part of this, we are also further developing our computer network, which will be completed later this year. Also, we intend to strengthen our already strong capital base. At present our capital to equity ratio is over 30 per cent, but we would like to further improve that by using various self-financing techniques.

Clearly there will be ongoing internationalisation of world capital markets so that, instead of speaking of globalisation, the world will become one big market and we are well placed to take full advantage of that.

Futures markets to provide new growth

Robbins: With the progressive establishment of new financial markets and products in Japan, how well placed is New Japan Securities to participate?

Irie: We have established a futures section in the stock department of our Osaka branch. As part of our overall preparations for an expansion of our activities in new financial markets, we have appointed directors with specific responsibility for options and futures markets. Our clients, especially corporate clients, are very keen to begin futures trading as early as possible because of the hedging function that it provides, in the light of the high level of overseas investment now underway. We are aiming to respond to our clients needs as appropriately as possible. We have already applied for membership of LIFFE in London and we intend applying to join the Chicago Board of Trade, which will give us greater exposure to the main futures markets overseas.

Steady deregulation preferred

Robbins: Do Japan's equity markets need to undergo a "Big Bang" style of liberalisation, similar to that which occurred in London last year?

Irie: In terms of the liberalisation of commission rates, the Japanese market is completely different to the UK. In Japan we tend to concentrate on formal market trading; the market is not an over-the-counter market. I don't think we will see a liberalisation like the "Big Bang" in the UK. But for institutional investors, because the main capital markets are becoming one, and information is becoming more readily available, I don't think that liberalisation can be avoided in the long run.

Actually, there has been a decrease in commission rates here in Japan. For institutional investors, the decrease has been large, even though the overall reduction in commission

rates was of the order of 15 per cent. Although liberalisation will not occur overnight, in reality, we are moving towards deregulation. This month (May), for example, the Tokyo Stock Exchange is sending a mission to London to study what the effect of the "Big Bang" has been, and we will study the appropriate measures to employ, from now on.

Planning for further growth

Robbins: Following the rapid growth New Japan Securities has enjoyed over the past two decades, how do you intend maintaining your position over the next two decades?

Irie: We now have ¥10 trillion of clients' funds under management, and we are seeking in the short term to boost that to ¥15 trillion. As I said earlier, we are strengthening our domestic base which should also aid us in further expanding our international business. From the Euromarket issues we handled last year, we have had a satisfactory spin-off in the new domestic underwriting business. In addition we are actively boosting our capabilities in trading overseas stocks. We have a great deal of experience with offshore funds, mutual funds, and the like, but while we have been selling Japanese stocks to foreign investors we are now seeking to build our trading in foreign securities on behalf of our domestic clients.

Along with these moves, an important factor will be the development of human resources. In addition, we will strengthen our new product development capabilities, and as part of this will establish risk management controls. I think these are the three main points. In the future, the success of a securities company will be determined by new product development, and we are progressively increasing our ability to introduce new products for our clients.

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Euromarket successes

Robbins: New Japan Securities has become far more active in the euromarkets over the past few years. Do you think that the European market will remain as active as it has been in the future?

Irie: My impression is that the issuance of Euro-yen bonds will continue actively. The reason for this is that in the domestic yen bond market issuance procedures are complicated

and issuers tend to hesitate. But in the Euro-yen market procedures are much simpler for issuers and there is also good demand from Japanese investors buying Euro-yen bonds as there is no currency risk. As a result, we expect that this market will continue to remain active. In 1986, we were lead manager of six Euro-yen issues. Also, we became a member of the IFMA (International Primary Market Association) following our successes. We are the first Japanese house after the big four to join the IFMA, and it has also helped us with our domestic underwriting as well.

Of the six issues we lead managed, three were companies with which we have been associated since their first went public—Matsuya Denki (an electrical retailer) Yohban (a supermarket chain) and Noritz (which manufactures water heaters). In all cases, we have been closely associated with the company since the original listing. Of the other issues we handled, two were by leading Japanese trading companies, Marubeni and C. Itoh. We gained the lead manager status because of our long standing and close links with both companies.

The other issue was for Postpankki (Finland). Here, we secured the lead management position because of our cooperation with the Industrial Bank of Japan, which is our main bank. To date, we have been closely linked with growing domestic companies with solid foundations, and from now on we want to be more active in offshore financing for these companies. With most of these companies, we have been active for over 10 years, much more so than for any of the big four Japanese securities houses.

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World Economic Indicators

	March '87	Feb '87	Jan '87	March '86
UK £bn				
Exports	6.397	6.393	6.294	5.755
Imports	6.532	7.187	6.731	6.736
Balance	-0.435	-0.224	-0.387	-0.971
US \$bn				
Exports	18.689	16.421	15.822	Feb '86
Imports	22.725	26.892	31.255	28.769
Balance	-15.065	-12.271	-12.732	-11.368
France Frbn				
Exports	73.80	67.73	71.29	73.79
Imports	74.30	70.18	68.12	73.40
Balance	-0.50	-2.45	+2.27	+0.39
W. Germany DMbn				
Exports	43.85	40.77	43.42	44.54
Imports	22.45	31.90	32.07	36.82
Balance	+11.20	+8.87	+10.25	+7.72
Japan \$bn				
Exports	17.22	14.99	12.64	17.52
Imports	10.00	10.60	10.94	10.97
Balance	+7.13	+4.39	+6.72	+6.67

UK NEWS

Rolls allocation cuts profit-taking scope

BY RICHARD TOMKINS

SCOPE for profit-taking on the £1.38bn offer for sale of Rolls-Royce, the state-owned aero-engine maker, has been severely curtailed after the Government's decision to spread the shares among nearly all the 2m people who applied.

Smaller applicants will receive only 150 shares each, so if expectations of a 30p initial premium are fulfilled, people who sell will expect to make a profit of £45.

That figure will be almost halved by dealing expenses and other costs. There are no special dealing arrangements for small investors, so people who sell will in most

cases have to pay a minimum commission of £20.

This is likely to reduce the supply of stock when dealings begin a week tomorrow, because many applicants will prefer to hold on to their shares rather than sell for negligible profits.

Further upward pressure on the price is likely to come from the other main feature of the allocation - the elimination of applications for more than 100,000 shares. This effectively excludes institutional investors from the public offering.

The portion of the issue which was placed with the institutions be-

fore the public offering has been cut from 60 per cent to 50 per cent, so these investors will have to buy in the after-market to achieve the required size of holding.

The severity of the scaling down is a product of the heavy over-subscription of the offer combined with the Government's determination to avoid a politically unpopular ballot.

The public offering was 9.4 times subscribed, with 2.025m people applying for a total of 3.1bn shares. The number of applicants approached the 2.3m for British Telecom in November 1984 and was well in excess of the 1.1m for the British

Airways offer three months ago.

Fewer people applied than the 5m who went for TSB last September or the 4.4m who went for British Gas last November. But the Rolls-Royce issue was not aimed at inexperienced investors and the Government was clearly surprised by the response.

Public enthusiasm for the flotation was driven by the sight of the large premiums attracted by earlier privatisation issues and the recent strength of the stock market. The rationing of the shares will inevitably cause disappointment. There have also been widespread

Rolls-Royce Allocation

Shares applied for	Shares allocated
400-1,000	150
1,000-2,000	250
2,000-5,000	250
5,000-10,000	300
10,000-15,000	350
15,000-20,000	425
20,000-100,000	2.5%
Over 100,000	N/A

criticisms that application forms for the issue were poorly distributed, so making it difficult for people in many parts of Britain to apply.

News on Sunday plans financial rescue talks

BY RAYMOND SNOODY

MR OWEN OYSTON, a multi-millionaire businessman, is likely to take control of News on Sunday, the new left-of-centre newspaper which has run into severe financial problems less than three weeks after its launch.

Mr Oyston, the largest of the paper's individual shareholders, will hold talks today with his financial advisers and Mr Nicholas Horsley, chairman of News on Sunday, on a financial package to save the paper. Last week sales of the tabloid fell

to 350,000 and at the moment there is only enough money for two more issues. If £5m is not raised urgently for a rescue, News on Sunday could close before the end of the coming general election campaign.

"Owen Oyston is the only serious person who can save us," Mr Horsley said yesterday. "The News on Sunday chairman said he would support Mr Oyston taking control of the paper as the only way to ensure its survival."

"I think the odds are better than

Mr Oyston recently sold his chain even that he will increase his investment in the paper," Mr Horsley added.

of 100 estate agencies in north-west England to Royal Assurance for an estimated £30m. He says he is prepared to look seriously at putting more money into the paper but only "if it has a viable future."

"I think there has to be a complete review of the paper in terms of a new business plan and re-launch," said Mr Oyston.

GEC and Plessey face £80m shortfall over delays at BT

BY TERRY DODSWORTH AND DAVID THOMAS

GENERAL ELECTRIC Company and Plessey, the two main suppliers of public telephone exchanges in the UK, face a shortfall of up to £80m in sales to British Telecom (BT) over the next year because of delays in its installation programme.

The cuts of up to 25 per cent in deliveries follows a period in which both GEC and Plessey have overcome production difficulties with the new digital System X exchanges that they are now supplying to BT.

According to BT, the subsequent acceleration in deliveries of System X has caused part of the hiccup in the present installation programme, because the company is having to cope with a backlog of exchanges to connect to the network.

In addition, the last tranche of orders for public exchanges was held up for about three months because the contract involved particularly difficult innovations.

The contract should have been placed at the end of last year, but was eventually awarded in March.

Because of these delays BT has fallen badly behind its schedule for taking delivery of new ex-

changes, putting off virtually one whole tranche of orders in the current financial year.

Under its normal ordering procedures, BT aims to put out four separate tranches of contracts a year, with each tranche accounting for between 600,000 and 750,000 lines and worth about £50m.

GEC and Plessey are the two main public exchange suppliers, although BT also buys switches from Thorn Ericsson, the joint venture between Thorn EMI of the UK and Ericsson of Sweden.

BT says the shortfall in deliveries during the current financial year is a one-off event which has no implications for its determination to improve its network by introducing modern exchanges.

It is not yet clear what the impact of the shortfall on every supplier will be, or to what extent Thorn Ericsson - which had about 15 per cent of the latest batch of orders - might be affected.

Some City of London analysts, however, believe they may have to reduce their profits forecasts for the two main supplier companies in the light of the cutbacks.

Drug research bill to top £500m this year

BY TONY JACKSON

BRITAIN'S DRUG industry intends to spend more than £500m this year on research and development (R&D). This would be 11 per cent of the national total for industrial R&D, although the industry accounts for less than 2 per cent of Britain's industrial output.

In evidence to the House of Lords Science and Technology Committee, the Association of the British Pharmaceutical Industry says the industry is ahead of any other in its research spending.

The £500m figure amounts to around 15 per cent of its UK-based sales, including exports. This is claimed to beat other research-intensive industries such as aerospace, where R&D spending is put at about 12 per cent of sales.

The association remains unhappy about the return on this outlay. Its evidence dwells on a recurrent theme for the industry, the length of time for which expensive developed drugs are protected by patent.

Although most patented products in other industries enjoy a full 20 years of protection, the association says, the average time allowed for a new drug is only eight years, and falling.

This is caused by the increasing time required to get drugs through

the regulatory processes to the market. In 1986, the average time taken between UK patent filing and the marketing of medicines was 12 years. "In the future the effective pharmaceutical patent term is projected to fall even further," the association says.

"Medicines entering the Japanese and American markets in the 1990s will have more than twice the period of protection available to pharmaceutical innovations on the British home market. This could crucially undermine pharmaceutical R&D in this country by the year 2000."

The association is also unhappy about the level of fundamental research spending in the UK. "If the British academic biological and chemical research and higher education communities were to be 'de-skilled', then the long-term outlook for science-based industry in the UK would be bleak."

While the industry continues to lobby parliament for extension of patent protection, it is also pressing for faster approval of new drugs. The Department of Health recently appointed Mr Peter Cunliffe, who retired in March as head of the pharmaceuticals division at ICI, to lead an inquiry into the working of the medicines licensing authority.

Pru handles £7bn in pension funds

BY ERIC SHORT

PRUDENTIAL PORTFOLIO Managers (PPM), the investment management arm of the Prudential Corporation and Britain's largest life assurance and financial services group, has become one of the largest firms in the pensions field.

It was already the largest fund manager in the UK through investing the various funds of its parent company.

Mr Mick Newmarch, chief executive, told the company's investment seminar last week that PPM now handled £7bn of pensions money

out of the £21bn of funds under management.

The greatest growth sector has been in the field of segregated pension fund management, where pension fund portfolios are handled on an individual basis.

Until recently, this pension investment sector has been dominated by the merchant banking groups. However, in the five years since PPM decided to be a major player in the field, funds under management have risen to £4bn.

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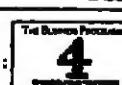
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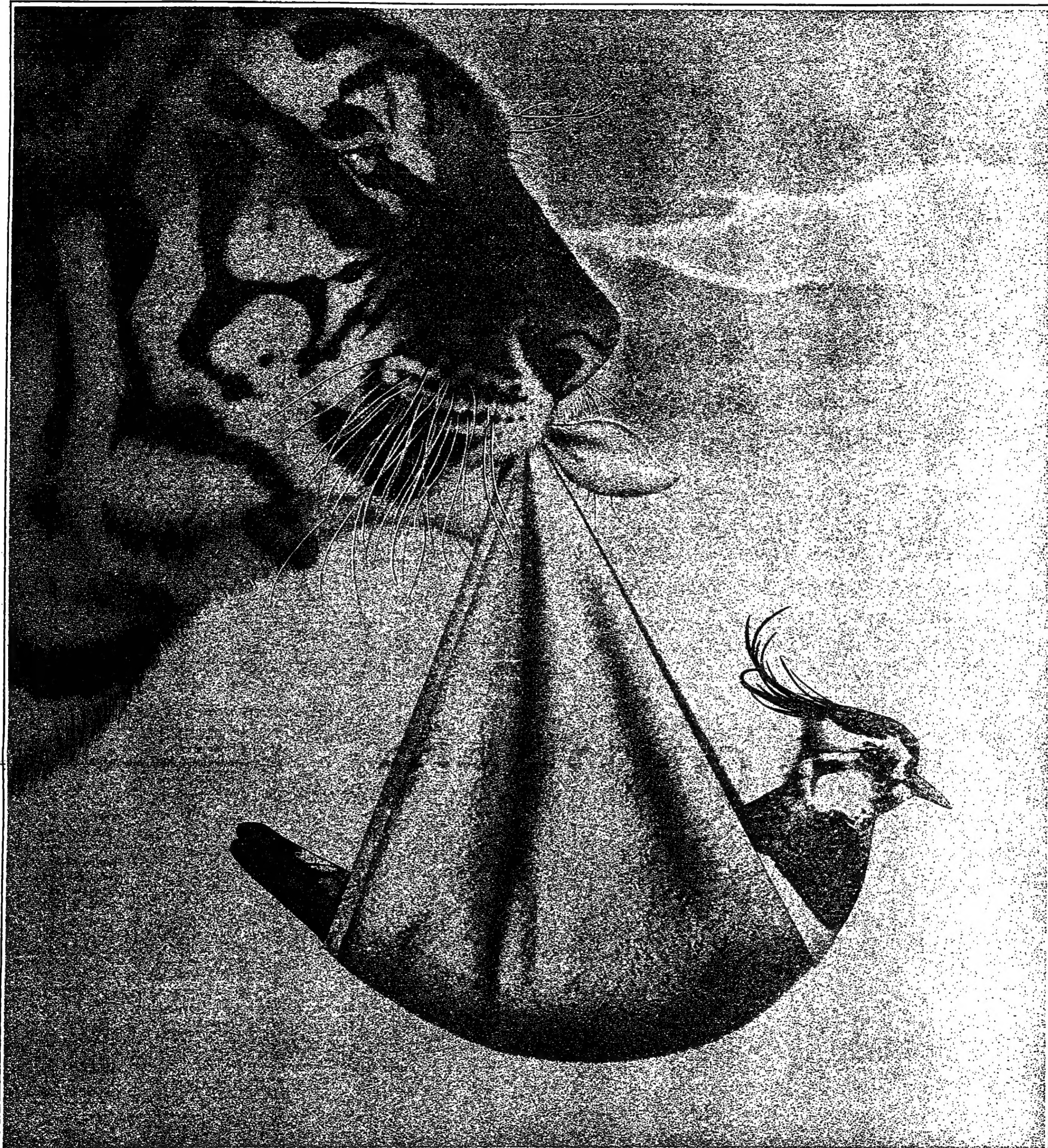
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In the last 300 years, around 300 species of birds have vanished from the world. Many are still threatened today, and in Britain these include the snipe, curlew, and barn owl. Even the lapwing is less common.

Any ideas to help reverse the situation must be welcome, and this European Year of the Environment sees the birth of a new scheme to recognise outstanding achievements in the field of wild bird and countryside conservation.

Sponsored by Esso, it is called the RSPB Birds and Countryside Awards.

To encourage as many people as possible to get involved, there are four different award categories; individual, industry, media and European.

In addition we will be giving our own Esso award.

As a result, a wide variety of subjects will come under the spotlight, from habitat creation and improvement to the fight against pollution, protection of rare species, showing people wildlife and contributions through journalism.

The 1987 awards will be given at a special lunch in London in July, and nominations are now being judged.

For more information about the scheme, we invite you to write to RSPB, The Lodge, Sandy, Bedfordshire SG19 2BR.

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UK NEWS

Politicians look to the tea leaves

Peter Pulzer analyses last week's local election results as parties prepare for a national poll

READING POLITICAL signs is an art like any other, not to difficult to learn provided certain rules are kept. Last Thursday's local elections do not predict the outcome of a June general election, but they give us the odds at the starting gate.

We do, for once, have real votes cast by quite a lot of real people. Thirty million electors were entitled to vote and more than half of them did so, rather more than usual. There were more than 12,000 seats at stake, with only Scotland and Greater London excluded, except for some by-elections.

Though we can all have fun arguing over decimal points, the general message is pretty clear. However much we may dislike the thought, local elections are a kind of opinion poll. The overall fluctuations of seats won, the broad sweep of gains and losses from one year to the next, correspond well to what the opinion polls tell us and what we sense of the public mood.

One group of boroughs, admittedly not a representative sample, that vote in three years out of four, are those in the former Metropolitan counties. The annual variation in the parties' share in these boroughs makes the point.

According to Marplan's April opinion poll, there has been a swing of 3 per cent to Labour in Scotland and of 1 per cent to the Tories in Greater London, although local by-elections, including several on May 7 point a somewhat bleaker picture for Labour.

What is true is that Conservatives tend to underpoll at local elections, at least when they are in government, to the benefit of Labour and the Alliance, as evidence from both 1983 and last week shows. But that factor, too, is quantifiable and can be built into our odds.

Given that, what are the answers that 15m people gave on Thursday? That the Tories did well, though not outstandingly, that Labour did very badly and that the Alliance did creditably, but no more than that.

The first rule to observe is to compare like with like, that is the local elections of May 7 1987 with those of May 3 1983, when the same seats were contested. There is a four-year term of office for local councillors.

To compare last Thursday's local elections with the 1983 general election is interesting but misleading, not only because some people vote differently in local and general elec-

tions, but because one month, especially during an election campaign, is a very long time in politics.

When Labour's spokesman, Dr John Cunningham, claimed a 9 per cent swing in Labour's target seats on Friday morning, he was comparing local with general elections. Compared with May 1983 the Conservatives had a net gain of 78 seats. Against that, one has to consider that they lost about 100 of the 1983 wins in by-elections and so started from a slightly lower threshold, and that Independents, whose supporters are more likely to be Conservatives than not, suffered a net loss of 264.

That means that the Conservatives enter the general election campaign about 2 per cent below the equivalent position in 1983. Since they can afford to lose about 5 per cent of their 1983 share, at least if the Opposition parties continue to share the remainder fairly evenly, that is not a bad starting position. Labour did distinctly worse. Its net losses were 220 seats and there have been almost no by-election gains to raise the threshold. In the 30 Conservative-held marginal seats analysed by Dr Colin Ballings and Dr Michael Thrasher of Plymouth Polytechnic, the Labour share rose in six and fell in 24.

In part, the losses are explained by the Alliance improvement. But more ominous is the fact that in 19 of these 30 seats Labour has done worse in relation to the Tories than in May 1983. The only regional variation of note is the Labour disaster in the Midlands, of England. Elsewhere, whether north or south, good and bad performances cancel each other out. For the Alliance the news is both good and bad. Its performance is at least 5 per cent better than in 1983, with a net gain of 388 seats, on top of about 120 by-election gains. But it appears for the moment to be stranded on a plateau. Its great local government

servatives. Outside the metropolitan areas a large minority of its gains also came from Labour. The image of the Alliance as a refuge for mid-term Tory malcontents is in need of revision.

While the global shifts of opinion are good guide to the state of national and even regional opinion, it is much more risky to project the outcome in individual constituencies from ward aggregates. At that level local factors, including the personalities of the candidates, cannot be ignored. For instance, on the basis of precedent the Alliance is much more likely to hold Leeds West and Plymouth Devonport than to gain Liverpool Garston or East-leigh.

Hence also the widely made, but mistaken, assertion that there were no signs of tactical voting on Thursday. Like must again be compared with like. There is no "tactical" reason why a Labour supporter should not vote Labour in a winnable ward,

'The swingometer is, for the moment, out of commission'

even though his parliamentary seat is a Tory-Alliance marginal. What happens to his vote in June - or to that of third-place Tory or Alliance contenders - remains an unknown and potentially crucial factor.

Three conclusions stand out from Thursday's voting. The first is that the party battle remains, as it has been for the past five years, three-cornered. The second is that the Labour Party's electoral handicaps have not gone away. The third is that the Alliance remains this side of a breakthrough.

That does not make prediction any easier. More than at any election there will be 650 individual battles, as well as a national one, as the three parties - and four in Scotland and Wales - try to take advantage of an electoral system best suited to straight fights.

The rival claims that the parties will make, acknowledge the new rules of the game, however much some of the players may dislike them. Large shifts and surprises are much more likely at the constituency level than at the national. The swingometer is, for the moment, out of commission.

* Peter Pulzer is Gladstone Professor of Government and Public Administration, Oxford and Fellow of All Souls College.

PERCENTAGE SUPPORT FOR PARTIES, 1983 AND 1987					
	Local Elec-Option Poll tions 1983	Average, early May 1983	General Election 1983	Local Elec-Option Poll tions 1987	Average, late April 1987
Conservative	40.5	46.5	43.5	38.5	42.2
Labour	34.5	33.2	28.3	31.5	30.6
Alliance	22.0	18.5	26.0	27.0	24.1

(Northern Ireland omitted throughout)

Seats won in Metropolitan Boroughs 1982-1987					
	1982	1983	1984	1985	1987
Labour	425	322	273	286	216
Conservative	225	190	150	218	218
Alliance	74	66	75	105	104

(Others omitted: 1987 figures adjusted for multiple vacancies in Liverpool)



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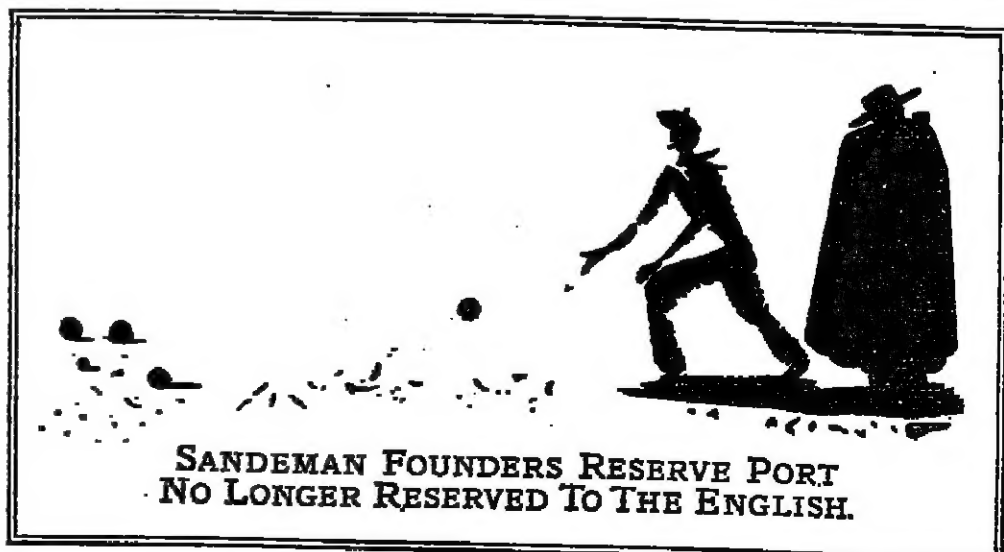
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UK NEWS

Raymond Hughes examines a journalist's refusal to disclose his sources

Law finds an unfortunate victim

THE 1986 Financial Services Act, as Lord Justice Slade said in the Court of Appeal last week, was designed to "give teeth" to the 1985 Company Securities (Insider Dealing) Act. The intention was that the teeth should bite on those involved in what another judge described as "the evil of insider trading".

It is unfortunate - and the source of a certain amount of embarrassment - that the teeth have in fact closed around the ankle of a financial journalist who everyone accepts is entirely innocent of the evil the law is seeking to root out.

Mr Jeremy Warner, now business correspondent of the Independent newspaper and formerly with The Times, faces the prospect of being the first person to be punished under the 1986 Act. He has refused to answer questions put to him by Department of Trade and Industry (DTI) inspectors appointed to investigate leaks of price-sensitive information from the Office of Fair Trading, the DTI or the Monopolies and Mergers Commission (MMC).

Mr Warner, with the wholehearted backing of Mr Andrew Whitman Smith, the editor of the Independent, has taken a stand on what he regards as his professional right and obligation as a journalist to maintain the confidentiality of the sources of information on which he based articles about two takeovers. On the face of it a classic test case requiring a balancing of conflicting public interests: in the prevention of crime and in the free flow of information to the media, which largely depends on informants being assured that their identities will not be revealed.

And so, to a large extent, it is, though it may not be the ideal case for testing an issue of principle, inasmuch as Mr Warner's articles were not exposing wrongdoing but were simply "scoops" about the then unpublished intentions of officials or ministers. While that does not detract from the professional rectitude of his stand it might be thought to diminish its ethical force.

In November, 1985, in an article in The Times, Mr Warner referred to the "unconditional clearance" by the MMC of a bid for Matthew Brown, the Blackburn brewer, by Scottish and Newcastle Breweries. The Commission, he wrote, "has concluded... that a takeover by S & N would not operate against the public interest. Contrary to stock market speculation, there are no conditions attached to the findings which are due to be published next week."

In October, 1986, Mr Warner wrote in the Independent that the Trade and Industry Secretary "looks certain" to refer a bid by Strong & Fisher for fellow tanner and manufacturer Garnar Booth to the Commission.

The inspectors, Mr John Lindsay QC, and Peter Croxier, suspected that the articles were based on information leaked by at least one civil servant. They asked Mr Warner how it was that he had been able to express confidently the outcome of official decisions that had not then been made public.

Mr Warner declined to give any information about his sources and the inspectors invoked the 1986 Act. Section 171 of the Act gives the inspectors the power to require anyone to give them information. If that person refuses to co-operate the inspectors can complain to the court. If the court decides that the person has no "reasonable excuse" it can treat the refusal as contempt of court and impose punishment.

The Act thus gives the inspectors a power to demand information that is without precedent in any other area of English law. That parliament should have granted such a unique power is an

indication of the depth of concern about the insidious and highly damaging spread of insider trading, the difficulty of uncovering it and the need to bring offenders to book.

Section 10 of the 1981 Contempt of Court Act says that journalists can refuse, in court proceedings, to disclose their sources, unless the court is satisfied that disclosure is "necessary in the interests of justice or national security or for the prevention of disorder or crime."

The Court of Appeal, in deciding that Mr Warner must reveal his sources, held that section 10 did not directly apply because the inspectors were not a "court."

The question was whether he had a "reasonable excuse" under the Financial Services Act. However, if he had been able to invoke section 10, he would have had a "reasonable excuse" for not answering the inspectors' questions and he could not be put in a worse position simply because the inspectors were not a court, the appeal judges decided.

The inspectors, therefore, had to satisfy the court that Mr Warner's information was necessary for the prevention of crime.

The inspectors' inquiries had suggested that the insider dealing they were investigating was on a very large scale - more than £10m by one ring alone. Mr Warner, they said, was among a very small number of disinterested witnesses available to them, and in some matters the only one.

When the case came before the High Court Mr Justice Hoffmann was not satisfied that the inspectors had shown that disclosures would prevent further insider dealing, and that Mr Warner's evidence was, therefore, "necessary for the prevention of crime."

Overturning that decision, the appeal judges said that Mr Justice Hoffmann had set a too stringent test for the inspectors, who could

not reasonably be expected to reveal all the information they already had and risk prejudicing their investigations.

In effect the appeal court held that, if inspectors say they need particular evidence that should be good enough for the court. "They, better than anyone else, must know what information they need," said Lord Justice Slade, though he did say that the court should not simply "rubber stamp" the inspectors' views.

The inspectors were investigating crimes; Mr Warner's information was likely to be of substantial assistance to them; the inescapable conclusion was that disclosure of his sources was necessary for the prevention of crime; accordingly he had no reasonable excuse, the court concluded.

The judges, like the inspectors, made it clear that they were not anxious to see Mr Warner punished. Lord Justice Slade fully accepted the principle that responsible journalists should generally be entitled to protect their sources. He hoped that all journalists would accept that that right must be overridden in the exceptional case where it was necessary for the prevention of crime.

The judges adjourned the matter until next month to consider what, if any, punishment to impose, and also to give Mr Warner an opportunity to change his stance - something which he has made clear he has no intention of doing.

The court will have to impose some penalty, if for no other reason than pour encourager les autres. They are unlikely to send Mr Warner to prison and will probably impose a not-over-large fine.

In any event, Mr Warner has been given leave to appeal to the Law Lords, so it will be many months before any punishment becomes effective.

Barings to sell lease on City HQ building

BY DAVID LASCELLES, BANKING EDITOR

BARINGS, London's oldest merchant bank, is to sell the lease on its building in Bishopsgate in the City of London to realise new capital.

The decision has been partly dictated by Barings' determination to avoid having to go public, as most other merchant banks have done in recent years to tap new sources of capital.

The lease is valued in the company's 1986 accounts at £24m, but it

expects to raise much more than that.

Mr Andrew Tuckey, a Barings director, said: "Derogulation has produced more opportunities than ever before to invest capital in our own business, and this is what we are doing."

The transaction will not sever Barings' connection with the site, which it has occupied since 1866. Under a complex arrangement

Barings remains the freeholder. However, it has leased the site for 999 years to the electricity industry pension fund which has, in turn, leased it back to Barings for 250 years. It is this second lease which Barings is offering for sale.

The lease entitles the holder to just under 40 per cent of the rental income from the building, with the remainder going to the electricity industry pension fund.

Barings will continue to occupy 11 floors of the 20-storey building, which was redeveloped in 1980. The other major tenant is Deutsche Bank.

Barings, which is owned by the Baring Foundation, a charity, discloses little financial information about itself. However, it recently revealed that it employs £460m of capital in its newly established securities activities.



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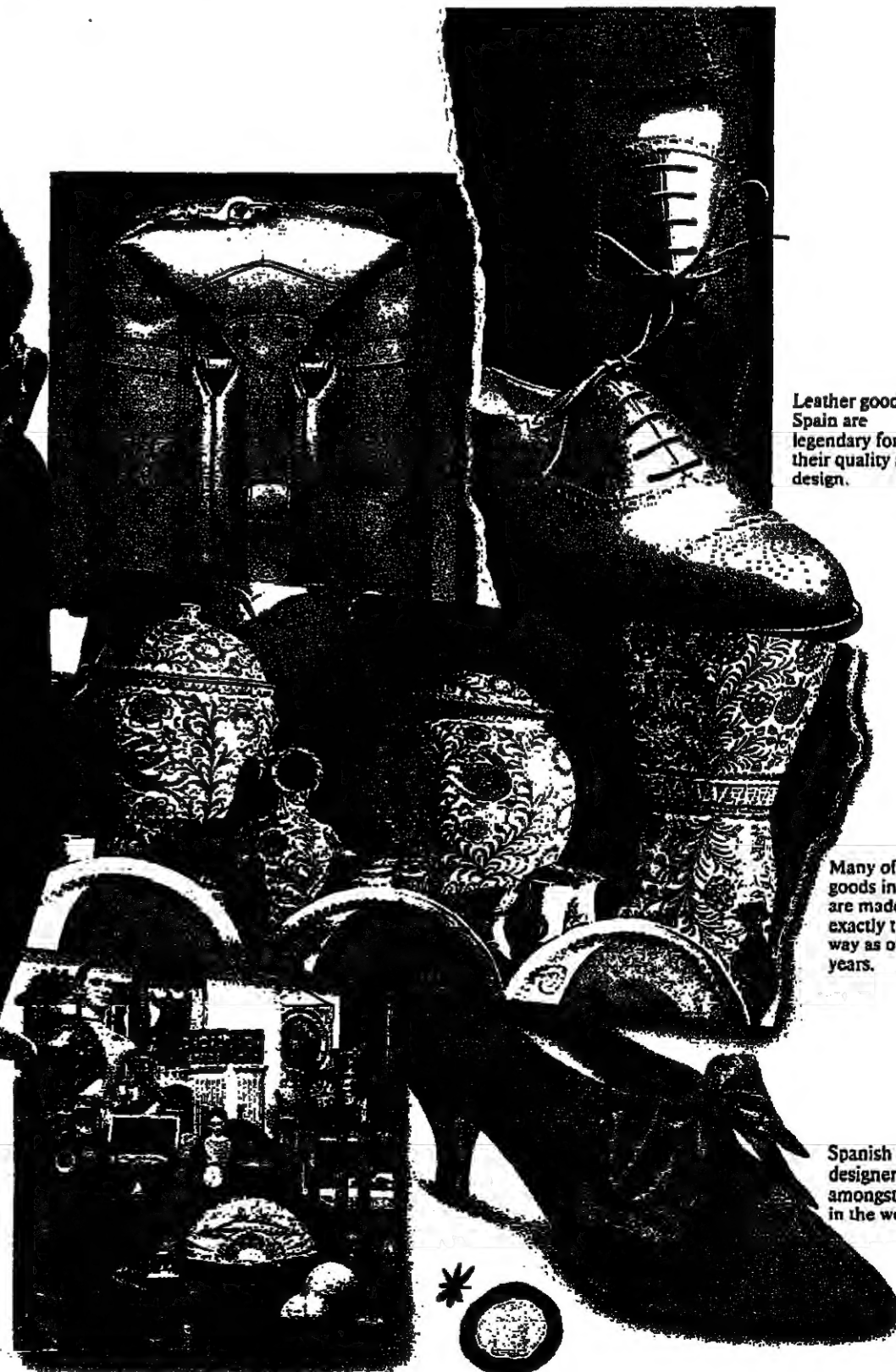
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UK NEWS

EC farm policy blamed for 450,000 job losses

BY DAVID BLACKWELL

ABOUT 450,000 people in the UK are out of work as a direct consequence of the European Community's Common Agricultural Policy (CAP), according to the initial results of a study being undertaken for the Australian Bureau of Agricultural Economics.

The UK had suffered from CAP more than France, West Germany or Italy, Dr Andy Stoeckel, director of the Centre for International Economics in Canberra, told an international meeting held at the weekend at Steyning, West Sussex, to

consider the economic effects of the farm support policies.

Without CAP price supports, he said, the output of the UK's manufacturing sector could have been £3bn greater, and the output of the service sector nearly £8bn greater in 1986 values.

He estimated that CAP had cost the Community as a whole some 1m jobs.

The burden imposed by the CAP on the Community was not just a matter of surplus production, stock

disposal or even over-spending, he said.

The taxes required to fund the subsidies and the trade restrictions to support the food producing and food processing sectors had become so large that manufacturing competitiveness and job opportunities were being lost.

This misallocation of resources to the food sector worsened unemployment, particularly in the Community's manufacturing sector, Dr Stoeckel told the conference.

Truck groups level in race for sales

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE TWO newly-merged truck companies which dominate the UK market were neck and neck in their race for leadership, by the end of last month.

In the first four months of this year, Iveco Ford Truck, with 4,222 vehicles over 3.5 tonnes gross weight registered, captured 22 per cent of the market and Leyland-Daf, with 4,288 sold had 22.25 per cent.

However, if Leyland-Daf, 60 per cent controlled by interests in the Netherlands and 40 per cent by the state-owned Rover Group of the UK, lives up to the past performance of its constituent companies, it should move steadily into the lead during the rest of this year.

While the merger, completed last month but signalled earlier in the year, seems not to have dented Leyland truck sales, the Society of Motor Manufacturers and Traders statistics show that Daf sales have fallen sharply.

In April, 191 Daf trucks were registered against 336 in the same month last year. In the first four months of this year, Daf sales were down from 1,079 to 896, or by 17 per cent.

In contrast, Leyland truck registrations rose from 936 to 963 in April and for the year so far they slipped only a little, from 3,457 to 3,370.

Iveco Ford, formed nearly a year ago from the UK operations of Iveco, the Fiat-owned company, and Ford of Britain, has regained a considerable part of the ground it lost in the early part of 1986. Its sales in the first four months of 1987 were 29 per cent below this year's level at 3,278.

The battle for leadership is taking place against the background of relatively weak demand - total registrations of trucks over 3.5 tonnes were down by 10.6 per cent to 19,170 in the first four months as potential buyers held back to see whether there would be a general election and which party was likely to win it.

Among the other major truck companies in the January-April period, registrations by Daimler-Benz of West Germany in third place have slipped from 2,616 to 2,602, whereas sales by fourth-placed Volvo of Sweden are up from 1,620 to 1,694.

Total sales of new commercial vehicles fell by 12.95 per cent in April to 22,881. Sales in the first four months were, however, 2.8 per cent ahead at 108,782.

The importers' share of the total market during April was 40.32 per cent against 41.95 per cent in the same month in 1986. Their share in the first four months was 36.54 per cent, compared with 41.73 per cent a year ago.

Allied to brew more Australian lagers

By Lisa Wood

ALLIED LYONS, the food and drinks group, is to brew and distribute in the UK two Australian lager brands owned by the Bond Corporation of Australia under a licensing agreement.

Allied already brews under licence Bond's Castlemaine XXXX brand which has contributed to the growing strength of Allied's lager portfolio. The new brands to be brewed under licence are Swan Premium Export lager and Swan Special Light lager.

The brands are at present sold in the UK by Bass and Courage. It is understood that these two brewers will continue to sell the brand.

Mr Peter Beckwith, managing director of Bond Corporation, said in Perth:

"The excellent performance of Castlemaine XXXX in the UK has clearly demonstrated to us the expertise that Allied has in beer marketing and we are delighted that these skills will now be used to promote the Swan brands in the UK."

Lager is the growth sector of a stagnant UK beer market with brewers concentrating attention on the development and marketing of their lager brands.

Range Rover output overtakes Land Rover for first time

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

PRODUCTION of the luxury four-wheel-drive Range Rover has for the first time overtaken output of its more utilitarian stable mate, the Land Rover.

By the end of this year, when the Land Rover company expects to make about 45,000 vehicles - up from 41,000 in 1986 - at least half are likely to be Range Rovers.

The change shows that Land Rover's shift of emphasis from the supply of "workhorses" vehicles to the Middle East and African markets - where demand has dried up because of shortages of foreign currency - to high-specification vehicles for the developed markets is beginning to pay off.

The company, part of the state-owned Rover Group, yesterday said it had record Range Rover sales in continental European markets in the first four months of this year. Registrations rose by 56 per cent

compared with the same period of 1986 to 3,638.

Land Rover sales were also the best for five years and up by 21 per cent to 1,780 in continental markets. Land Rover said the introduction of turbo-diesel versions of its vehicles had particularly stimulated sales in those markets where diesel fuel is relatively cheap.

In Italy, for example, Land Rover sales were up 37 per cent in the four months to 904 while Range Rover registrations doubled to 952.

Range Rover demand is also being lifted by the launch into the US for the first time in March and the company is well on target to reach 3,000 sales in the first full year, so far over 250 Range Rovers have been sold in the US, more than 100 of them in the last 10 days of April as supply constraints were gradually removed.

The company recently took on 600 extra people to lift output.

Rolls seeks bigger sales in Japan

BY OUR MOTOR INDUSTRY CORRESPONDENT

AUSTIN ROVER's subsidiary in Japan is to distribute Rolls-Royce and Bentley cars in that country's most important market areas. The arrangement is expected to nearly double Rolls-Royce and Bentley sales from 34 last year to about 100.

In a separate development yesterday, the state-owned company also said it was to step up production of the Metro small car and hoped to introduce overtime working for the first time since July 1984.

Austin Rover Japan, set up in spring 1983 when the UK company took over its own import arrangements in Japan, will sell Rolls-Royce and Bentley cars through its dealerships in Tokyo, Kanagawa, Osaka and Hyogo under the terms of a deal completed with Cornes and Co, the sole importer to Japan and part of the Hong Kong-based Wharf Group.

The Rolls-Royce models will join Austin Rover's line-up by Rover Sterling (made locally on the UK company's behalf of Honda), Montego, Maestro and Mini models. Austin Rover Japan also distributes cars from Peugeot of France through its network.

factory, more than 1,000 employees have been asked to volunteer for overtime on Saturday mornings and two extra hours during the week to cope with new production targets for the Metro.

Output of the car is to be increased from 3,350 to 4,000 a week by the end of May.

Austin Rover said demand for the Metro had increased both in export markets and the UK where it has benefited from a low-cost finance promotion and a new advertising campaign designed to give the car more personality and make it more attractive to young people.

General Motors, the Vauxhall-Opel group, quickly followed its major rival Ford in putting up car prices. GM said yesterday it had increased prices by an average of 2.1 per cent, exactly in line with the Ford rise but slightly below the 2.4 per cent increase announced by Austin Rover a week ago.

Examples of new prices, including all taxes, are Nova two-door saloon £4,522 (up from £4,507); Astra 1.3 1 three-door hatchback £5,776 (£5,808); Cavalier 1.6 1 £7,123 (£7,550) and Carlton 1.8 1 £9,854 (£9,820).

Move to curb fish quota abuse

BY LUCY KELLAWAY

THE BRITISH Government plans to tighten the law on the registration of British fishing boats in an effort to stamp out "quota hopping" - whereby foreign ships use up part of the quota allocated for UK fishermen.

Mr Michael Jopling, agriculture minister, told the National Federation of Fishermen's Organisations at the weekend that new rules

would prevent boats registering in the UK unless they were owned by UK citizens who are also resident in the country.

Under the present system foreign owners can register boats in the UK with little difficulty. This has been subject to widespread abuse, in particular by Spanish companies.

British fishermen have been outraged at having their quotas used

up by foreign boats.

It had been feared that any attempt to tighten the rules could be illegal under EC law. However, the European Commission has indicated that the rules would be acceptable.

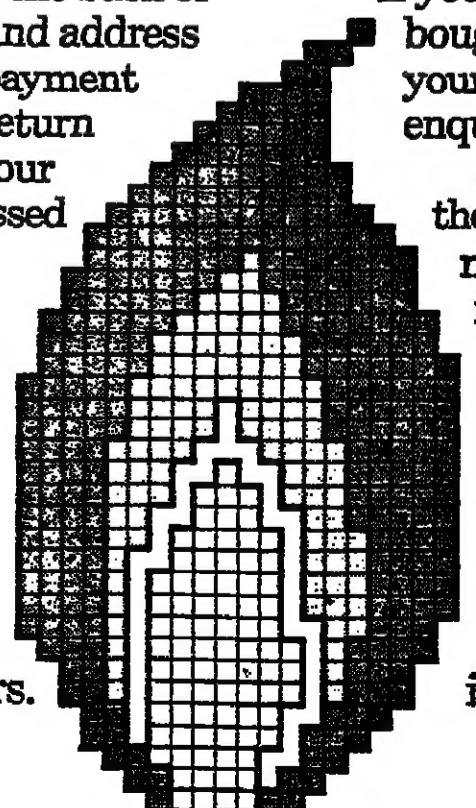
Mr Jopling said the legislation, which would be introduced as soon as possible, could not be applied retrospectively.

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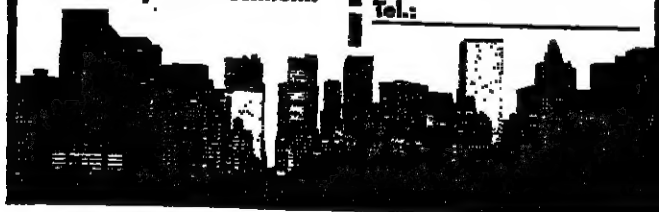
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THE MONDAY PAGE

Lloyd's and the Guinness test



JOHN PLENDER

HAVING spent the night in custody before appearing at Bow Street Magistrates' Court on Thursday, Mr Ernest Saunders,

former chairman and chief executive of drinks group Guinness, may well have had mixed feelings at the headlines in Friday's newspapers. Not the headlines about himself, you understand; those about the former chairman of the Lloyd's insurance market, Sir Peter Green.

Sir Peter has been fined all of £32,500 for mishaps that included serious negligence and breaches of duty to syndicate members of Lloyd's. According to a Lloyd's disciplinary committee (and to Lord Wilberforce on Sir Peter's subsequent appeal) this amounted to discreditable conduct.

We cannot, of course, draw exact parallels between the fate of the two men. For a start, the full facts in the Guinness affair must await the results of the Department of Trade Inspectors' investigation. Nobody has accused Sir Peter Green of seeking to pervert the course of justice or of destroying or falsifying

documents—the charges faced by Mr Saunders. And everyone at Lloyd's is anxious to point out that no question of deliberate or dishonest conduct or pursuit of personal gain was raised against Sir Peter.

That said, accountability is a central issue in both cases. And the television coverage of Mr Saunders' uncomfortable Odyssey helped rain home, in a way that newspaper headlines could not, the considerable disparity between the rules and remedies that apply to different parts of the business community.

As well as enjoying the hospitality of Holborn police station Mr Saunders has seen his UK assets frozen. He has been forced to hand in his passport and seek bail of

\$5m. And the charges levelled at him under the Companies Act carry a maximum prison sentence of seven years.

All this before the Department of Trade Inspectors have even reported. Some feel that the former chairman of Lloyd's has got off lightly. Sir Peter Green's misdemeanours related to a large reinsurance policy arranged between insurance syndicates under the management of his underwriting agencies, Janson Green and Crescent Underwriting Agency, and an offshore company in which he had a personal shareholding.

This company, Imperial Cayman, was a convenient (and presumably tax efficient) parking place for syndicate funds until they were required to effect subsequent

underwriting losses.

Imperial Cayman's interest income between 1976 and 1983 came to some \$2m (£1.5m). The great majority of the money ought properly to have accrued to Sir Peter's names—the outside members of Lloyd's who were on his syndicates. In practice the names received interest calculated at only 50 per cent of the return on 90-day Eurodollar deposits.

Lloyd's disciplinary committee is too delicate to say that the names were ripped off. But it does argue, on the basis of a comparison with another similar policy that was negotiated at arms' length, that they should have received 75 per cent of the Eurodollar rate in 1976 and 1979 and not less than 50 per cent from 1980. The

committee's report declares that the amount they were actually credited with was "manifestly inadequate and inequitable."

Having taken into account everything said by Sir Peter and on his behalf, together with the arguments put forward by a disinterested majority, the committee concluded that the former Lloyd's chairman's "repeated failure to perform his duty to his names was such serious or gross negligence as to constitute discreditable conduct."

Lloyd's also accused Sir Peter of providing incomplete, inaccurate or misleading information in relation to these and other conflicts of interest, to which he pleaded guilty. And the committee found that his failure to account to the names for the

\$182,000 that he derived as a shareholder in his offshore ventures was "detrimental to his names' interests," though not, in their view, discreditable.

By any standards this is pretty strong meat. Note, though, that the failure to disclose was not regarded as detrimental to the names' interests under the 1871 Lloyd's Act. Sir Peter was only caught on this score because his reticence continued after the introduction of new legislation that took effect in January 1983. Note, too, that the disinterested majority on the disciplinary committee, Mr Michael Langton, argued that the key allegation against Sir Peter concerned behaviour that was common practice in the 1970s and was not then regarded as serious

enough to constitute discreditable or disgraceful conduct.

To most of us, that serves as a reminder that Lloyd's is only now emerging from the 19th century; and the case of its former chairman suggests that, even after the various attempts at reform, Lloyd's enjoys a much more relaxed regulatory environment than the rest of the business community.

For his part, Mr Ernest Saunders might well feel that the discomfort of the police cell and the glare of the cameras have been visited on him with a degree of alacrity on the part of the Director of Public Prosecutions that is quite unusual by past standards in City matters. He may also feel it to be a singularly unhappy coincidence that in the run-up to an election in which Tory politicians are anxious to appear tough on financial skulduggery the police failed to wait for the Department of Trade Inspectors' verdict.

INTERVIEW

The unlikely folk hero

Anthony Moreton meets Nicholas Edwards, Welsh Secretary, who is about to retire from Parliament

SINCE THE May morning in 1979 that Mrs Margaret Thatcher walked into 10 Downing Street as Prime Minister, her Secretary of State for Wales Affairs has been Sir Nicholas Edwards. Only one other departmental minister, Lord Hailsham, the Lord Chancellor, has had an equally long tenure of office.

Thursday in and Thursday out during those years he has walked across Whitehall from Cwydr House, his London base, to sit at the same green leather seat around the long oval cabinet table.

He is retiring, he says, at "a supremely important moment in Welsh history. Perhaps even the decisive moment." He emphasises the point carefully.

"We have reached the end of an era of industrial decay and decline that has gone on for the greater part of this century: the end of the dependence on the old basic industries and the painful effects of their decline."

Coal and steel, once nourishing the elite as well as the bulk of the industrial workforce, are now small beer. In their place have come the new industries in the high-technology sectors with names few have heard of. "We are now at the start of the new period of expansion. We have got a much more broadly based economy which is growing and expanding."

"When I came into this job, eight years ago we inherited a pretty difficult situation, the consequences of inflation, over-manning, a lack of competitiveness, the world recession. In Wales, in particular, there was a notable lack of confidence, an important psychological fact, and an image in the rest of the world that was wholly damaging."

His first fear was that the trend was irreversible, "that we just might go slithering on downhill."

But since the start of the 1980s, as the British economy has picked up steam again, Wales has also benefited. There is still a lot to be done. Unemployment is at unacceptably high levels and now rural Wales is facing severe problems arising from changes in the EC's agricultural policy.

For all that, Mr Edwards detects dramatic changes. One of the six freeports was allocated to Wales against all the commercial logic; three enterprise zones (one in his own constituency); a share of the road-building programme; money for the arts.

both Cardiff and Swansea, the country's two major cities, over the past decade, help for the industrial valleys, a broadening of the country's cultural life.

The economic breakthrough was a long time coming and he pinpoints the last 12 months as the crucial period. An independent report commissioned for the Welsh Development Agency, the quango set up to regenerate the Welsh economy, showed that, seasonally adjusted, employment has fallen every month between May 1986 and February this year, that the increase in job opportunities, in terms of vacancies, has been much faster than in the UK as a whole, and that in several of today's industries, including office machinery, data processing, rubber and plastics and instrument engineering, Wales has performed better than the UK in terms of job creation.

Most important, gross domestic product per head has risen faster in Wales than in the UK as a whole. Mr Edwards points to this as evidence "that we are going to change Wales from a place of heavy industry or branch factories to a place where you are going to have the new industries attractive to senior management and the kind of people we want to see running things in Wales."

The irony in this change is the fact that Mr Edwards, one of the Cabinet's pure Thatcherites and a man who by inclination and background—was a Lloyd's underwriter—distrusts the philosophy of government intervention. He has turned out to be something of an old-fashioned interventionist where Wales is concerned.

He has fought hard, within cabinet, to get a share of everything that was going. One of the six freeports was allocated to Wales against all the commercial logic; three enterprise zones (one in his own constituency); a share of the road-building programme; money for the arts.

Does this not denote prag-

matism on a Wilsonian scale?

"Well, I hope I am pragmatic," he says, shifting the thrust of the question quickly and refusing to be drawn any further on a delicate matter. On other issues, too, he is not easily deflected from the message he wants to put across.

"Perhaps this is a rather unprofitable part of the discussion," he says at one point, not wishing to be asked questions to which he has no wish to give answers. It is an approach well known to his advisers, where he is respected rather than liked. He has a reputation as a hard driver, someone who calls for papers early in the morning and has his civil servants working late at night.

"But he has got things done," says a Cardiff businessman. "It's not easy to fire people in the Civil Service and the only way to get efficiency is sometimes to give people a good dressing down. The Welsh Office is a lot more efficient now than it was when he arrived."

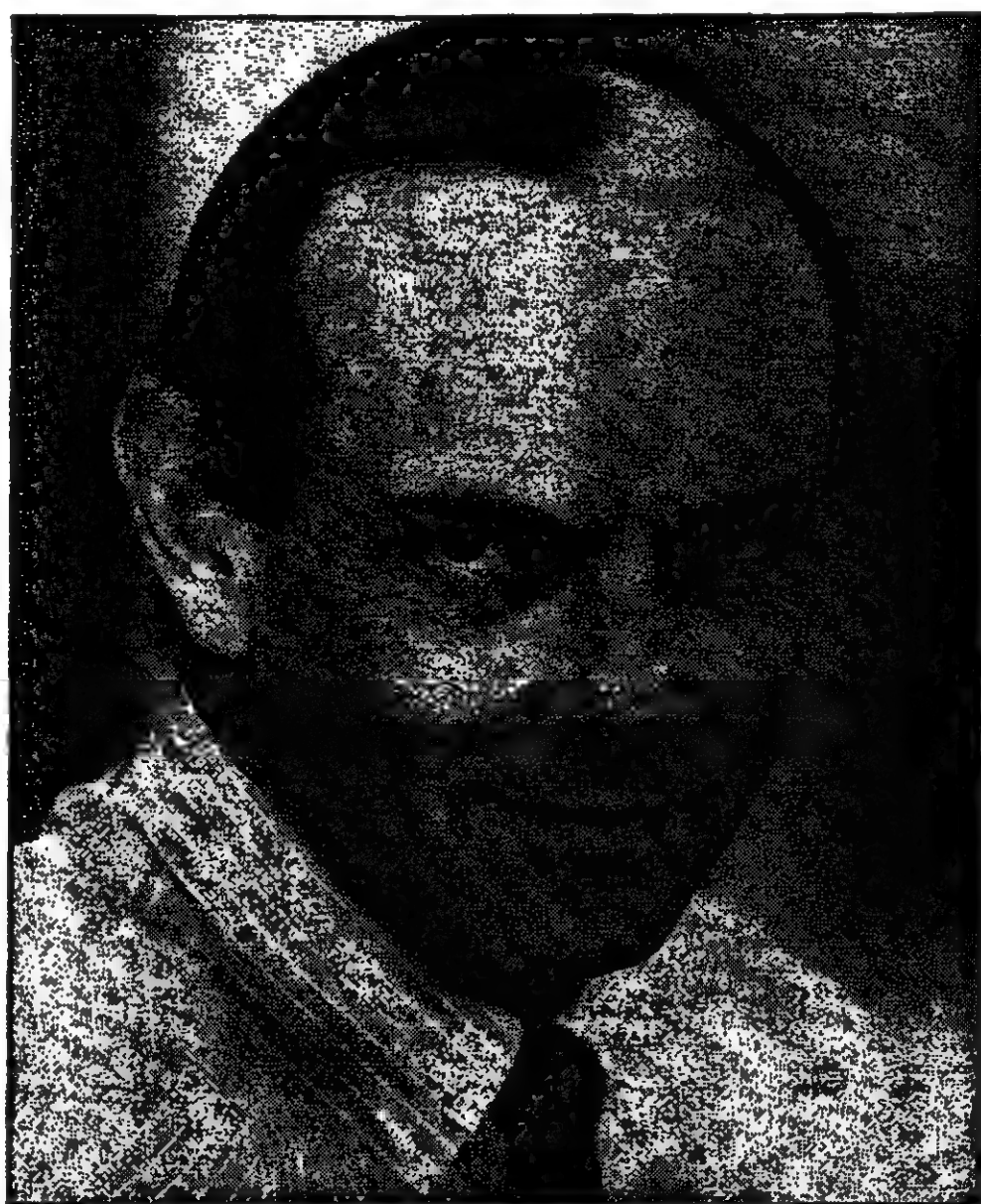
This inner-circle view of him as an aloof, arrogant taskmaster, resonant with English public school accent, is not, however, shared by the public at large, rather surprisingly since the Welsh like their father figures to be folksy. He is almost universally known, outside his hearing, as "Nick," even by people who have never come within a mile of him.

Among the nationalists he has been criticised for concentrating too much attention on Cardiff to the exclusion of the rural areas, from which the nationalists draw most of their strength. He counters by pointing to finance made available for improvements in the industrial valleys, for help to tourism, for the establishment of offshoots of the national museum in other parts of the country and to the fact that "I've done more to support the (Welsh) language than any previous Secretary of State. I don't think that many people would challenge that that is a fact."

By allocating financial resources wherever there were choices to be made, taking choices sympathetic to the language, we defused the thing (the language) as a political issue.

"It has been a delicate road because you, on the one hand, wanted to encourage the language without doing it in a way that makes people feel you are forcing it down their throats. The language will only survive if people want to speak it."

Promotion of the arts he sees not just as a good in its own right but as part of the attempt



to change the image of Wales. The Welsh National Opera Company has created an international reputation and he would like to see a centre for the performing arts in the redevelopment of Cardiff.

"I've devoted quite a lot of time to the arts, rather more I suspect than most secretaries of state. A study of the visual arts has been set up and we are going ahead with a major expansion of the national museum."

"One of my personal disappointments is that I have not been able to get an absolute firm start on a centre for the performing arts, but I have gone quite a way down the road towards making it possible. We will have the theatre actually designed and ready to go when the money becomes available."

But he freely admits that his crowning achievement is the regeneration of Cardiff's decaying docklands into what he confidently believes will become southern Britain's first city after London.

The Cardiff Bay Development Corporation, modelled on work undertaken in London and Liverpool is a massive scheme to bring new heart back into what was once known around the world as Tiger Bay and is now an area of underutilised docklands and old properties.

"The major steps I have undertaken have culminated in the South Cardiff project. We are fortunate in not having in Cardiff some of the more difficult problems of urban deprivation and racial tension

that exist in some English cities. We also start from an immensely encouraging and exciting response from those whom we have consulted."

"As every week passes we get more encouraging signals that this could be one of the most exciting development projects in the country, maybe in the whole of Europe."

"People in Britain still have preconceptions about Wales which are based on past history and past events. They still see this as an area almost entirely dependent on heavy industry, smoking valleys, coal, steel and not the sort of place you would want to live in and they don't realise that, in fact, the industrial base is quite different, that Cardiff's one of the most attractive cities in the whole of the UK and it's going to have this great project."

It seems improbable that Mr Edwards intends truly to bow

out of the Welsh Office affairs. "I really genuinely don't know what I am going to do after the election," he says. "I don't want to go back into the City and I would like to spend perhaps half my working time in Wales."

Would he like to go to the Lords, or does he see himself as a commoner?

"That's a sort of difficult hypothetical question. Here am I, 53, withdrawing from the fascinating business of government. I'm still sufficiently interested in politics and what's happening in this country that if one has the opportunity to make some contribution in the Lords then certainly that would be fine and one would like to do so."

But not, he makes clear, immediately. "I've had a fascinating job for the last eight years and it's time to do something different."

The muzzle may come off

THE PRIME Minister's obduracy in declining to set up an independent judicial inquiry into allegations made by Mr Peter Wright, a former MI5 officer, that he and his colleagues in the secret services set about destabilising the Wilson administration in the mid-1970s appears to be politically unyielding.

But the Prime Minister may yet be forced to soften the angularity of her stance if proceedings currently before the High Court in London result in the media being released from restraints that have sought to muzzle them.

The immediate focus of attention is on Sir Nicholas Browne-Wilkinson, the Vice Chancellor, who last week began hearing an application by the Guardian and the Observer to have discharged or varied injunctions obtained against them last May by the Attorney General. With minor qualifications, these restrain any publication of the Wright memoirs.

The two newspapers have increasingly chafed under this restraint as they have witnessed the revelatory proceedings in the New South Wales court, which have exposed the variable attitudes of the British Government to publication of secret service matters.

They were even more perturbed when their new Fleet Street rival, the Independent, published a lengthy extract from the Wright book on its front page a fortnight ago.

The instant official response of contempt proceedings against that paper and the two London publications, the London Daily News and the Standard, who promptly followed suit, has done nothing to relieve the irritation.

Much now depends on the timing of the contempt proceedings.

But while that action was pending what price the lifting of the injunctions against the Guardian and the Observer? The Vice Chancellor quickly perceived that he could not properly determine one application without the other. If the newspapers were not held to be in contempt then the injunctions against the Guardian and the Observer would fall away. The judge is expected today to arrange urgently for a joint hearing of the two proceedings before himself.

Those who support the freedom to publish must feel that



this is their best opportunity for a favourable ruling. The Vice Chancellor has already indicated a leaning towards the variable attitude of the Attorney General, and he is known to possess pronounced liberal views.

Given the history of the recent litigation, it is difficult to discern any clear-cut, concerted attempt by the Attorney General to stifle all potential media coverage of the Wright memoirs.

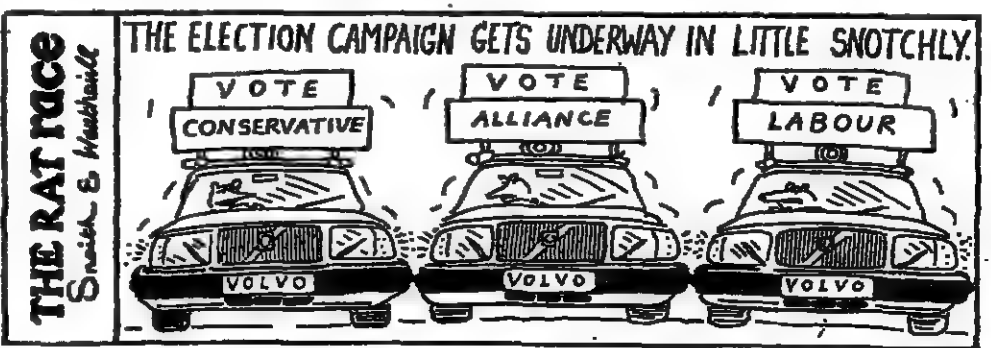
When last spring the Guardian and the Observer published snippets of the memoirs, the Attorney General moved quickly enough to prevent any further revelations. When the case came to the Court of Appeal, Sir John Donaldson firmly blocked that particular door on publication of material on the secret services. In the course of his forthright judgment upholding the necessity to preserve the confidentiality of material touching on national security, he uttered a firm warning to the media generally: they should understand that to republish the material so far disclosed would be to act unlawfully.

No other publisher was made specifically the subject of an order of the court. Hence to publish without notice into play the law of civil contempt, which is concerned with disobedience to an order of the court. But, in the face of the Donaldson dictum, would it be a criminal contempt, in the sense that it would be conduct obstructing or calculated to prejudice the due administration of justice? That is the crucial question.

The Attorney General may have felt that the Donaldson dictum sufficed to warn off any editor thinking of a newspaper scoop—and therefore that he did not need to go further and obtain orders from the court similar to those restraining the Guardian and the Observer.

The failure to take this precaution may incline Sir Nicholas Browne-Wilkinson to view the Attorney General's attempts to ban publication as something less than wholehearted.

The Attorney General's case is that the Independent and the two other newspapers have deliberately flouted the spirit and meaning of the court's powers and made it more difficult for him to enforce the injunctions. Thus the newspapers can achieve in practice what the law was designed to stop them attaining—namely, freedom from legal restraint.



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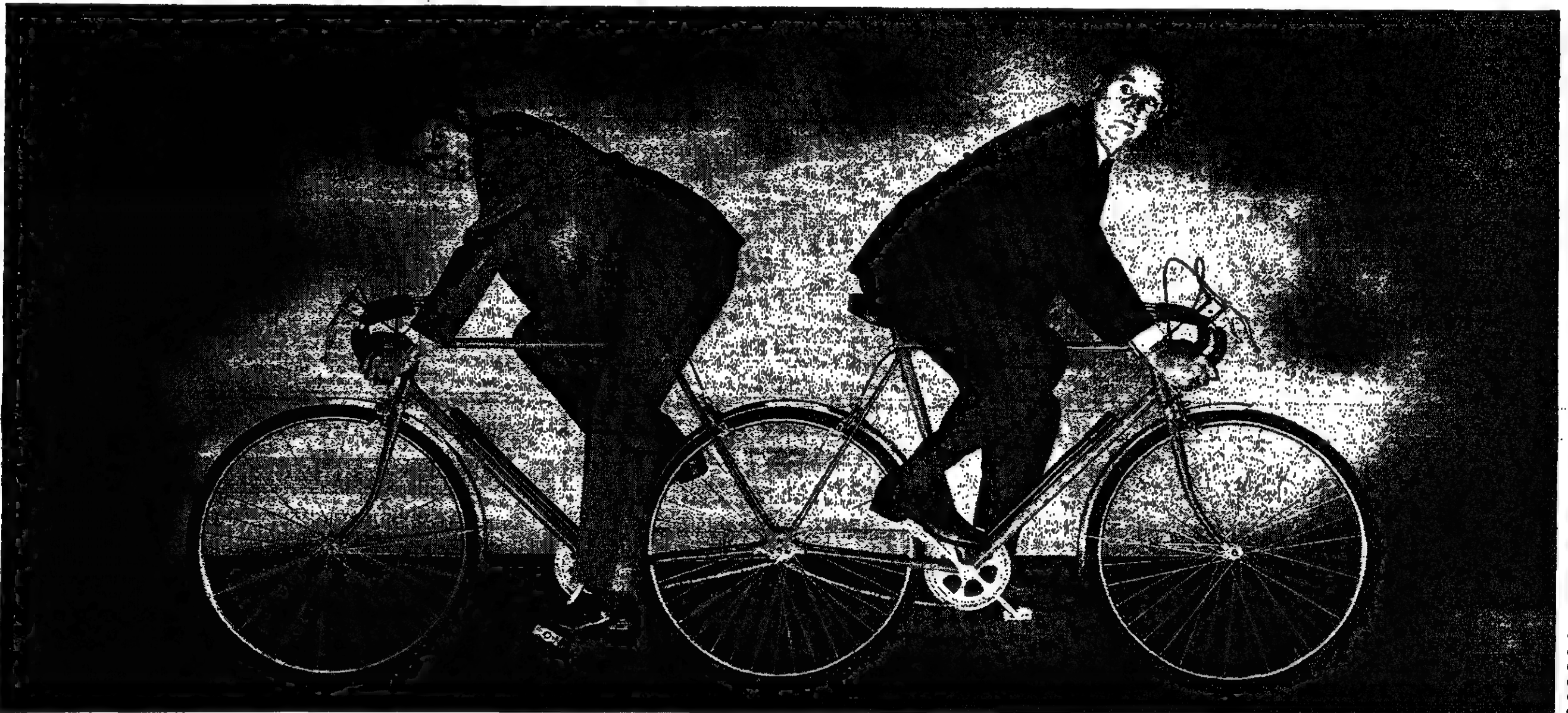
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WE BACK BUSINESS. WE DON'T HOLD BUSINESS BACK.

SENIOR managers at Northern Telecom, the Canadian telecommunications equipment manufacturer, are thinking hard about the strategy which will take it into the 1990s.

During the past decade, the group has been one of the phenomena of the US telecommunications equipment market, the world's largest, which it now dominates with American Telephone and Telegraph. Northern has built up its US revenues from almost nothing ten years ago to \$2.55bn last year, 65 per cent of its worldwide sales.

Northern's success in the US, observers agree, was based on first-rate technology and aggressive marketing. Its progress was marked by a number of milestones. It sold its first digital public switch in the US in 1977, ahead of AT&T. It broke into the giant regional Bell telephone operating companies with its large digital switches, DMS-100 and DMS-200, in 1982.

This positioned Northern perfectly to become a volume supplier to the regional Bells after the break-up of the Bell system in 1984, when they launched a huge modernisation programme.

But after the years of headlong growth in the US, Northern is now faced with two key challenges, perhaps the toughest it has faced in its 100-year history.

● It must build on its US strength, at a time when the US market is both changing rapidly and becoming ever more competitive.

● Fully to hedge against tougher times in the US, it has to increase its presence outside North America: last year, its international operations contributed less than 2 per cent of its \$1.07bn operating earnings and less than 5 per cent of its \$4.384bn sales.

Edmund Fitzgerald, Northern's chairman and chief operating officer, sees these two objectives as intertwined. "We used our Canadian revenues to develop the US market, and we will use our US revenues to develop our international markets. Each new market pays for the next."

But to make this vision of a global roll-out work, Northern has to adapt to the differing circumstances inside and outside North America.

In the US, competition is intensifying in Northern's two most important products—public telephone switches and exchanges sold to private companies.

Spurred on by the break-up of the Bell system in 1984, replacement and modernisation of telecommunications equipment has been so rapid recently in the US that the market for both public and private ex-

Northern Telecom

Attempting the international connection

David Thomas explains why the Canadian telecommunications group must emulate its formula for the US elsewhere in the world

PAUL ANDERSON, whose job is to shape the outlook of Northern Telecom's top US managers, operates out of Northern's new management development centre in Nashville, Tennessee.

The centre was a response to Northern's rapid growth in the US, which has seen sales there increase twenty-fold in the last decade. Northern had to double its US management team between 1982 and 1984. Its US employees have been with the company less than four years on average.

"We spent more time coping with this change than

managing it," Anderson admits.

Northern had traditionally decentralised as many decisions as possible, Anderson says, but this approach had its limitations when faced with rapid growth.

Managers responsible for Northern's different products often failed to think as a team, according to Anderson. In extreme cases they competed against each other for the same customers. "The market was telling us: we want Northern Telecom to have one face to the world."

Anderson continues: "Historically, we were a champion-oriented, not a team-oriented, company. We needed to cross-pollinate our organisation more than in the past."

The decision to set up a management centre in Nashville was made in 1984 to meet that need. Then, management training in Northern had concentrated on technology and products in the divisions. "We needed to start shaping a culture and shaping a personality," Anderson explains.

The Nashville centre now lays on three types of courses, which it calls building blocks, for different levels of management. The environment was carefully chosen: the colour of the rooms—light grey—was selected after psychological testing to find a colour scheme which helped people to concentrate.

Senior managers attend building block three, which is two weeks long, with about a six-month gap between weeks one and two.

The centre's first task is to make the participants, who

are always drawn from Northern's different product areas, acutely aware of their lack of a common approach.

"We create tension in this process," Anderson explains enthusiastically.

Instilling in the managers a corporate self-image resolves that tension, Anderson communicates what he sees as Northern's identity pack by contrast with its competitors: Anderson tells the course members that Northern is entrepreneurial and fast moving, but AT&T is big and bureaucratic.

After that, the managers

split into teams and work on strategies to improve service, major account marketing, product planning, design and development.

The course culminates in the teams presenting action plans to Northern's most senior executives. Northern says the results have already shaped its strategic planning.

As it expands overseas, Northern will stick to the managerial style which marked its growth in the US. This is distinctive in mixing aggression and caution in almost equal parts.

● Northern's aggression in technical innovation and marketing has helped it at times to steal a march over AT&T, its key rival in the US.

When service to 41,000 customers was cut off after a switch was destroyed by fire in Brooklyn in February, Nynek, the local operating company, went to Northern and AT&T with the simple question: who could install a new switch the fastest? Northern won the contract with its promise, which was honoured, to get a new switch working inside two weeks.

"We are more like data processing people in the speed of our response and our aggression," Fitzgerald says proudly.

However, this desire to lead the pack has helped Northern into trouble, most notably when US customers began to experience software problems in late 1985. The software bugs, since dealt with, contributed to a fall in 1986 net earnings up 4.7 per cent at \$286.6m on sales up 2.6 per cent at \$4.384bn.

"We were asked to provide a lot of additional features in that software, and we were asked to do it in half the normal time," explains Hudson.

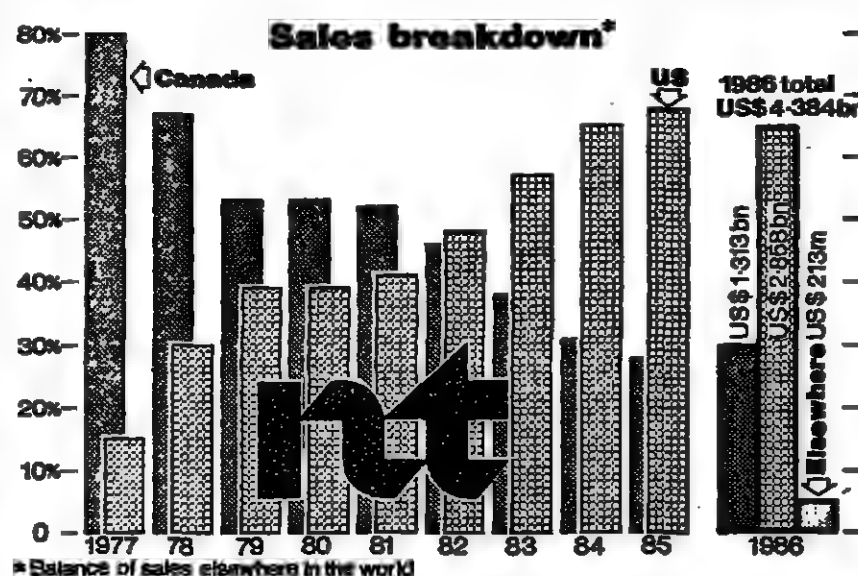
● Yet Northern is also cautious about diversifying outside its core activities. Northern's integrated telecommunications equipment producer par excellence, even continuing to make telephones in the US, a low cost product now mainly sourced from the Far East.

Northern was scarred by having to make large write-offs in 1980 on two data processing companies acquired two years earlier. Fitzgerald comments: "That taught us a valuable, if painful lesson. Integrated telecommunications equipment is the things it knows best."

Northern's immediate aim is to return to a 16 per cent a year growth path, a target which Fitzgerald is confident of hitting, in spite of scepticism among analysts. Fitzgerald says that improved results in 1987 will leave Northern close to that target.

The company's more medium term aim is to be still in the game when the musical chairs of mergers and acquisitions among the world's equipment manufacturers finally stops.

"There is only room for five to six truly global players—two from North America, two from Europe and one or two from the Far East," argues Hudson. "We intend to be one of them."



Edmund Fitzgerald

pressures are breaking up the traditionally cosy world of European telecommunications; the trend to greater liberalisation; and the uncertainty caused by the acquisition of the telecommunications interests of ITR by Alcatel of France.

"Everyone in Europe today is looking around and trying to decide who will survive. It is quite clear to all of us that there will be rationalisation of R&D and manufacturing," argues Bruce Tavner, who heads Northern's European operations.

Northern is considering acquisitions, strategic alliances and direct investment to help it seize opportunities in this more uncertain European world.

Yet Northern faces a tough task. Although it has sold some public switches in Europe, such as to Mercury Communications, the fledgling rival to British Telecom, it may have missed the boat for volume sales of this generation of public switches in Europe.

However, Northern may have more success with other products, such as private exchanges, where it has already made inroads and where it has the advantage of having spearheaded technical developments such as ISDN and Centrex in the US.

"There's a good chance that its position in Europe in private exchanges will expand considerably," according to Brian Toms, an analyst with Kleinwort Greaveson, the UK brokers.

changes has now peaked. Dataquest, the California-based research group, predicts that the US public switch market will fall from 15m lines last year to 11.6m lines in 1990, less than the current combined capacity of AT&T (8m lines) and Northern (6m).

Shearson Lehman, the US securities firm, warned recently: "The engine of digital switching which drove the Northern Telecom of old in the earlier days of the 1980s has slowed and earnings gains will be more moderate."

Moreover, just as growth rates slow, new entrants are pressing for a slice of the action, adding further pressure on prices and margins. Siemens of West Germany, NEC of Japan and Ericsson of Sweden are among the companies responding to the desire of the large Bell telephone operating companies for new suppliers.

"Most of them are trying to find niches and each will have some success. They all have worthy strategies," says Des Hudson, who heads Northern's operations in the US.

Yet Fitzgerald dismisses fears about a diminishing switch market in the US. "We don't think that counting exchange lines is the best way to understand this business. The value added per line is what counts."

Northern believes that growth in the US will increasingly come from two main areas: first, sales of non-switching products, such as transmission equipment which represented just 12 per cent of Northern's revenues last year; second, services and features which are

added on to the basic exchange equipment, such as the move to Integrated Services Digital Network (ISDN) which allows voice, data and video to be sent over the same public exchange line.

Moreover, Northern argues that European and Japanese newcomers will be at a disadvantage during this new phase because they lack a large installed base to which the features, services and upgrades will be added.

Francis McInerney, an analyst with Northern Business Information, a New York-based telecommunications research group, agrees. "Companies

are already milking their base."

Bringing these factors together, Hudson believes, will mean that US sales will become even more central to Northern. They could rise to 70 per cent by the end of the decade, before falling in percentage terms as Northern's push overseas begins to bear fruit in the 1990s.

The overseas operations, to which Northern is giving greater attention, is the second area where Northern must succeed. They will account for 15 per cent of worldwide revenues by the early 1990s, Fitzgerald asserts.

Company Notices

THE INDUSTRIAL BANK OF JAPAN FINANCE COMPANY N.V.

111% Guaranteed Notes due 1999
ECU 40,000,000
EARLY REDEMPTION ON 22nd JUNE 1987

NOTICE IS HEREBY GIVEN to the holders of the Bonds ("the Bonds") that, in accordance with the conditions of the Bonds, the Industrial Bank of Japan Finance Company N.V. ("IBFC") will on 22nd June 1987 (the "redemption date") redeem all of the Bonds at 101 per cent of their principal amount together with interest accrued to such date (being an aggregate of ECU 1,127.50 for each Bond of ECU 1,000). Payments of principal, premium and interest will be made on and after the redemption date in the manner provided in the Conditions against surrender of Bonds and Coupons No. 3 due on 22nd June 1987 and all subsequent Coupons appertaining thereto at the specified office of any of the Paying Agents listed below. Failure to surrender any such subsequent Coupon(s) will result in the amount of such Coupon(s) being deducted from the sum due for payment on the redemption date. The attention of the Bondholders is drawn to the Conditions and in particular to conditions 6 and 7 which contain further details regarding redemption.

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Luxembourg

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MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Avenue de la Reine 35, B-1040 Brussels, Belgium

THE INDUSTRIAL BANK OF JAPAN FINANCE COMPANY N.V.
Dated May 11th, 1987

SOCIETE CENTRALE DE BANQUE \$US 50,000,000 FLOATING RATE NOTES DUE 1995

We inform the bondholders that in accordance with the terms and conditions of the notes, Société Centrale de Banque has elected to redeem all of its outstanding notes on July 6, 1987 at 100%.

Interest on the said notes will cease to accrue on July 6, 1987.

The notes will be reimbursed, coupons at 3 due January, 1988 attached according to the terms and conditions of the notes.

THE PRINCIPAL
PAYING AGENT
SOCIETE GENERALE
ALSACIENNE DE
BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

Interest on the said notes will cease to accrue on July 6, 1987.

The notes will be reimbursed, coupons at 3 due January, 1988 attached according to the terms and conditions of the notes.

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BB BANCO DE BILBAO

SIXTH ISSUE OF TREASURY BONDS, 15 MAY 1987

The Board of Directors of BANCO DE BILBAO have authorised the following issue of Treasury Bonds, which comply with current legislative and supervisory requirements.

AMOUNT: 10,000 million pesetas, subject to increase.

SECURITIES: Senior bonds of 5,000 pesetas nominal value each, in single or multiple lots. Bonds to be redeemed from 1 to 2,000,000 (from 1 to 2,000,000) in the event of the total issue being expanded to 20,000 million pesetas.

DATE OF ISSUE: 15 May 1987.

PRICES: At par, against payment in full, free of charges for subscribers.

INTEREST: The rate of interest payable on the Bonds will be 6.75 percentage points below Banco de Bilbao's discount rate for 5-year financial paper, although the resulting interest applicable to the Bonds will be subject to a minimum rate of 6 per cent per annum and to a maximum of 15 per cent per annum.

SUBSCRIPTION: The following subscription will apply:

— Priority applications from Banco de Bilbao shareholders from 15 to 25 May 1987. Each shareholder may in principle apply for up to 400 Bonds, with applications for greater numbers being subject to allotment on the basis of shares held as at 14 May 1987. Should the number of Bonds applied for by shareholders exceed the number on offer, allotment will be made as follows:

— Applications for up to 400 Bonds, in proportion to the total number of Bonds applied for.

— Applications for more than 400 Bonds: up to 400 Bonds on the above basis; for the portion in excess of 400 Bonds, in proportion to the number of shares held as at 14 May.

— Any remaining Bonds not taken up by shareholders will be offered to the general public, subject to a maximum of 200 Bonds per applicant, during the period 15 May to 15 June.

REDEMPTION AND/OR CONVERSION: Redemption will take place at par three years from the closing date of issue, on 15 June 1990. However, early redemption at the bondholder's option may be requested during the period of 30 days from 15 November in each of the years 1987, 1988 and 1989 subject to conversion of the proceeds of redemption into Banco de Bilbao shares on the following basis:

— The redemption value of the Bonds will be their par value, while the conversion price of the shares will be 10% below the lower of:

(a) The average price of Banco de Bilbao shares on the Bilbao stock exchange during the period 15 October to 23 November for the corresponding year 1987, 1988 or 1989; and

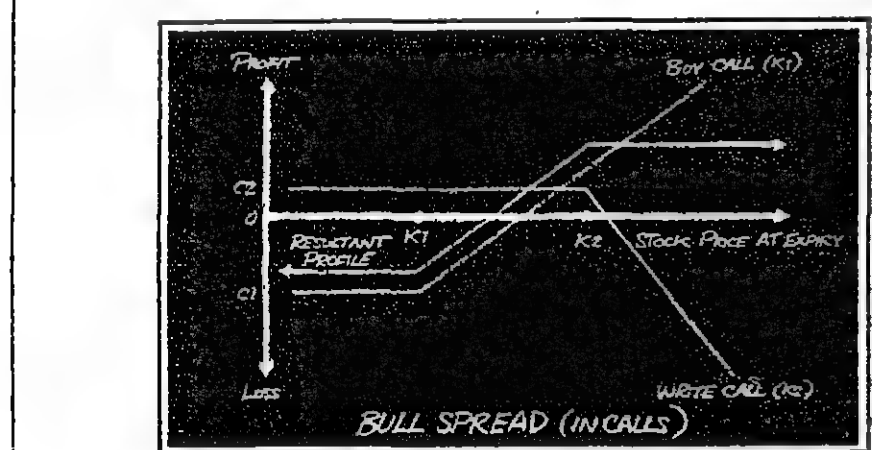
(b) The price of Banco de Bilbao shares on the Bilbao stock exchange on 15 November (or, if the exchange were closed on that day, on the preceding trading day) in the applicable year 1987, 1988 or 1989.

— In no event will shares be offered below their nominal value.

PROSPECTUS: Copies of the prospectus relating to this issue are available at the registered office of Banco de Bilbao at Gran Vía 22, Bilbao, Spain, and at the four Spanish stock exchanges.

Schools of depositary receipts to Banco (IDR's) wishing to subscribe for these Bonds should contact: EMI Semeal & Co Limited, 45 Beach Street, London EC2P 2LX or Morgan Guaranty Trust Co of New York, Brussels prior to 20th May 1987.

EMI Semeal & Co Limited, 45 Beach Street, LONDON EC2P 2LX.



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FINANCIAL TIMES STOCK INDICES

	May 8	May 7	May 6	May 5	May 4	Apr. 30	1987 High	1987 Low	Since Completion High	Since Completion Low
Government Sect.	93.32	92.53	92.66	92.53	91.96	91.69	93.32	84.69	127.4	49.18
Fixed Interest	98.25	97.44	97.66	97.48	97.37	96.86	98.25	90.23	150.4	50.58
Ordinary	1658.7	1628.0	1640.5	1626.9	1626.9	1612.0	1658.7	1320.2	1658.7	49.4
Gold Mines	438.2	446.5	445.9	453.0	444.4	447.3	485.0	288.2	734.7	43.5
FT-Adm All Share	1060.10	1037.47	1041.33	1031.74	1032.48	1023.59	1060.10	835.48	1060.10	61.92
FT-SE 100	2126.5	2077.9	2086.5	2065.1	2068.5	2050.5	2126.5	1680.0	2126.5	96.9

European Investment Bank US\$ 300,000,000 Floating Rate Notes due 1996

In accordance with the Description of the Notes, notice is hereby given that for the interest period from May 7, 1987 to November 9, 1987, the Notes will carry an interest rate of 7.3575% per annum.

The amount of interest payable on the relevant interest payment date, November 9, 1987 against coupon #2 will be US\$ 379.10 per Note of US\$ 10,000 nominal and US\$ 3,791.04 per Note of US\$ 100,000 nominal.

The Agent Bank
KREDITBANK
S.A. LUXEMBOURGEOISE

Legal Notices

THE INSOLVENCY ACT, 1986
IN THE MATTER OF
BANTURRY & CO. LIMITED
(In Receivership)

I, John William Papi, Licensed Insolvency Practitioner of Messrs J. W. Papi & Co., 1, Maddox Street, London W1R 6BA, hereby give notice that on 29th March 1987, I was appointed Administrative Receiver of Banturry & Co. Limited under the powers contained in a debenture dated 1st June 1985 in favour of Development Enterprise Limited.

Dated this 24th day of March 1987.
JOHN WILLIAM PAPI, FIPA,
Administrative Receiver.

THE INSOLVENCY ACT, 1986
IN THE MATTER OF
G.W. KING LIMITED
(In Receivership)

I, John William Papi, Licensed Insolvency Practitioner of Messrs J. W. Papi & Co., 1, Maddox Street, London W1R 6BA, hereby give notice that on 29th April 1987, I was appointed Administrative Receiver of G.W. King (Civil Engineering) Limited under the powers contained in a debenture dated 28th August 1973 in favour of Lloyd's Bank Plc.

Dated this 27th day of April 1987.
JOHN WILLIAM PAPI, FIPA,
Administrative Receiver.

THE INSOLVENCY ACT, 1986
IN THE MATTER OF
COLE CUTLERS LIMITED
(In Receivership)

I, John William Papi, Licensed Insolvency Practitioner of Messrs J. W. Papi & Co., 1, Maddox Street, London W1R 6BA, hereby give notice that on 29th April 1987, I was appointed Administrative Receiver of Cole Cutlers Limited under the powers contained in a debenture dated 1st January 1982 in favour of André Cole.

Dated this 1st day of April 1987.
JOHN WILLIAM PAPI, FIPA,
Administrative Receiver.

THE INSOLVENCY ACT, 1986
IN THE MATTER OF
COLE CUTLERS LIMITED
(In Receivership)

I, John William Papi, Licensed Insolvency Practitioner of Messrs J. W. Papi & Co., 1, Maddox Street, London W1R 6BA, hereby give notice that on 29th April 1987, I was appointed Receiver of book debts of COLE CUTLERS LIMITED under the powers contained in a debenture dated 5th November 1981 in favour of the Midland Bank Plc.

Dated this 9th day of April 1987.
JOHN WILLIAM PAPI, FIPA,
Receiver of Book Debts.

A FINANCIAL TIMES SURVEY Banbury & North Oxfordshire

The Financial Times proposes to publish a survey on the above on TUESDAY MAY 12 1987. For full details please contact: ACTIVITY UNIT, 10, Abchurch Lane, London EC4N 3JF or write to him at: George Horner, George Road, Edgworth, Birmingham B15 1PG. FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER. The content, size and publication dates of the Financial Times are subject to change at

Ten masters of the quick reply.

1. Dorothy Parker.

US writer, critic, wit.

At a party, a bored young man once complained that he could not bear fools. "How odd," countered Dorothy Parker. "Your mother could, apparently."

When asked to use the word 'horticulture' in a sentence, she offered, "You can lead a horticulture but you can't make her think."

Then asked what she thought of a certain woman, she breathed, feigning admiration, "You know, she speaks eighteen languages — and can't say 'No' in any of them."

Colliding with a younger woman in a doorway, the latter stood aside, saying, "Age before beauty," "Pears before swine," riposted La Parker, gliding through.

A friend was upset at having to get rid of his cat. Dorothy Parker suggested, "Have you tried curiosity?"

Receiving a telegram announcing another friend's happy event, she immediately cabled back: "Many congratulations. We knew you had it in you."

And on hearing that President Coolidge, a man of few words and even less action, was dead, she inquired, "How can they tell?"

When she first joined The New Yorker money was tight. So much so that when Harold Ross, the editor, asked Parker why she hadn't come in to write a certain piece she replied, "Someone else was using the pencil."

2. Robert Benchley.

American humorist friend of Parker.

Benchley also worked on The New Yorker. On being sent to report on a situation in Venice he cabled the editor, Ross, "Streets full of water. Please advise."

Benchley and Parker shared a small office. When asked how small, he said, "One cubic foot less of space and it would have constituted adultery."

In a speakeasy, a man demonstrated an "indestructible" watch to Benchley and Parker by hitting, dropping and stamping on it. Only to find it had stopped. "Maybe you wound it too tight," the friends chorused.

Benchley once mistook a senior officer in the US navy for a doorman, asking the man to fetch him a cab. When informed of his mistake, Benchley said, "Perfectly all right, just get me a battleship then."

A notoriously promiscuous actress asked Benchley to help her in a party game in which guests had to come up with their own epitaphs. His suggestion? "At last she sleeps alone."

Someone asked Benchley if he knew the playwright Robert Sherwood, who was 6' 7" tall. Hopping onto a chair and raising his hand to a level just below the ceiling, Benchley quipped, "Sure, I've known him since he was this high."

At a play which made liberal use of pidgin English, Benchley threatened he would walk out if he heard one more line of it. At that moment an actress announced, "Me Nubi. Nubi good girl. Me stay." Benchley rose and said, "Me Bobby. Bobby bad boy. Me go," and left.

3. George Bernard Shaw.

Playwright, critic, socialist.

On the subject of an ill-received play, the newly successful Shaw was cabled by a producer now offering to stage the same work.

Imagine a child with my body and your brains.

Yes, but what if it had my body and your brains?

he'd earlier rejected. Shaw cabled back: "Better never than late."

Shaw, once a music critic, was in a restaurant which boasted a tone-deaf orchestra. Its leader recognised him and sent a note asking what he would like them to play next. "Dominoes," replied Shaw.

Liddell Hart once observed to Shaw, "Do you know that 'sumac' and 'sugar' are the only two words in the English language that begin with *su* and are pronounced *shuf*?" "Sure," said Shaw.

And while at a party, Shaw was noticed standing alone in a corner. His hostess anxiously enquired if he was enjoying himself. "Certainly," he replied. "There is nothing else here to enjoy."

Another would-be hostess sent Shaw the pompous invitation: "Lady Blank will be at home on Tuesday between four and six o'clock." Back it came, bearing Shaw's scribbled reply: "Mr. Bernard Shaw likewise."

At dinner with a young lady, Shaw asked whether she would go to bed with a man for five hundred pounds. Smirking, she replied that it would depend on how good-looking he was. "Would you do it for ten bob?" enquired Shaw. "What do you take me for?" burst out the lady. "We have already settled that question," said Shaw, matter-of-factly. "All we are discussing now is the price."

Winston, if I were married to you, I'd put poison in your coffee.

If you were my wife, I'd drink it.

5. Oscar Wilde.

Aesthete, writer, wit.

Wilde, like Churchill, could make a would-be insult look quite foolish. Receiving bouquets in a theatre foyer one night, he suddenly found himself presented with a rotten cabbage. He took it, smiled and said, "Thank you, my dear fellow. Every time I smell it I shall be reminded of you."

At Oxford, Wilde had to translate aloud from the original Greek, which he did fluently. Satisfied, his examiners tried to stop him. "Oh do let me go on," he implored, "I want to see how it ends."

A customs officer once asked him if he had anything to declare. "No. I have nothing to declare," he said, "except my genius."

Asked his opinion of a truly awful play, he replied, "The play was a great success — but the audience was a disaster."

The poet laureateship was vacant and many names, but that of the very minor poet, Morris, were mooted for it. "It's a complete conspiracy of silence against me," Morris complained. "What ought I to do, Oscar?" "Join it," urged Wilde.

When someone suggested that he make certain alterations to one of his own plays, Wilde protested, "Who am I to tamper with a masterpiece?"

Wilde and the artist, Whistler, enjoyed a long-running feud, based on Whistler's claim that Wilde had plagiarized his ideas on art. Wilde retorted, "The only original ideas I have ever heard him express refer to his own superiority as a painter over painters greater than himself."

6. James Whistler.

US painter, friendly foe of Wilde.

Whistler often got his own back on Wilde. On one occasion, after a particularly scintillating remark from the artist, Wilde exclaimed, "I wish I had said that!" "You will, Oscar, you will," said Whistler.

A supposed conversation between the two having been printed in a magazine, Wilde cabled Whistler, mocking the article's inaccuracy — "When you and I are together we never talk about anything except ourselves." Whistler immediately replied, "When you and I are together we never talk about anything except me."

A snob asked Whistler what could have possessed him to have been born in Massachusetts. "I wished to be near my mother," he replied.

When asked if genius was hereditary, he couldn't say: "Heaven has granted me no offspring."

A well-known bore tried to engage him in conversation: "You know, Mr. Whistler, I passed your house last night —" "Thank you," said Whistler.

Annoyed by Whistler's constant self-applause, someone remarked pointedly, "It's a good thing we can't see ourselves as others see us." "Isn't it?" agreed Whistler. "I know in my case I'd grow intolerably conceited."

Some blank canvases he'd ordered got, lost in the post. Asked if they were of any great value, Whistler replied, "Not yet, not yet."

He had dined and dined extremely well at a friend's house. So much so that he promptly fell down the stairs. He demanded the name of his friend's architect. "Norman Shaw," he was informed. "I might have known it," burped Whistler. "The damned teetotaler."

7. Pablo Picasso.

Spanish artist, sculptor and very wit.

Picasso, like Whistler, despaired of poor design, in his case his own. A visitor once found him staring disconsolately at a painting on the easel so, to cheer him up, said, "It's a masterpiece." "No, the nose is all wrong," Picasso said. "It throws the whole picture out of perspective." "Then why not alter the nose?" "Impossible," sighed Picasso. "I can't find it."

An American GI told Picasso he didn't like modern paintings because they weren't realistic; then went on to show him a snapshot of his girlfriend. "My, is she really as small as that?" asked Picasso.

Asked why he had none of his own paintings on the walls of his house, he replied, "I can't afford them."

During the war, an inquisitive Gestapo officer visiting Picasso's flat noticed a photograph of the famous 'Guernica' lying on a table. "Did you do that?" demanded the German. "No, you did," said Picasso.

Picasso went to see his local cabinetmaker for a new wardrobe and drew a quick sketch of what he wanted on a sheet of paper. He gave the sketch to the cabinetmaker and asked how much it would cost. "Nothing at all," replied the craftsman. "Just sign the sketch."

8. Groucho Marx.

US comic, maker of snappy remarks(!).

Marx was as witty and direct over money as was Picasso's cabinetmaker. To a letter from his bank manager offering to "be of any service" to him, he replied, "steal some money from the account of one of your richer clients and credit it to mine."

He was forthright about sex, too. As a game-show host he interviewed a mother of twenty-two children. "I love my husband," she offered by way of explanation. "I like my cigar, too," said Groucho, "but I take it out once in a while."

Being mistaken for his own gardener one day, a nosy woman asked him how much he was paid. "Oh, I don't get paid in dollars," he replied simply. "The lady of the house just lets me sleep with her."

Advised not to try to join a reportedly anti-Semitic beach club, Marx replied, "But my wife isn't Jewish, so will they let my son go into the water up to his knees?"

Groucho was in an hotel lift with, of all people, a group of priests. One of them recognised Groucho and told him that his mother was a great fan of his. "I didn't know you guys were allowed to have mothers," replied Groucho.

A drunk lurched up to Marx, patted him on the back and said, "You old son-of-a-gun, you probably don't remember me." Groucho snapped, "I never forget a face but in your case I'll be glad to make an exception."

I am sorry, sir, you cannot enter the dining room without a necktie.

But you let him in without his hair!

A dim-witted impresario, no friend of Coward's, blew his brains out. When told, the playwright remarked, "He must have been a marvellously good shot."

Diana Cooper, who considered herself a "serious" actress, saw Coward in one of his own comedies and didn't find him funny. "I saw you in 'The Miracle'," riposted Coward, "and I thought you were a scream."

Following a period of little success as a playwright, Coward was praised as an actor. "I've always said you could act better than you write," sneered the critic, Swaffer. "And I've always said the same about you," said Coward.

Despite his growing fame, Coward wasn't always glad of it — celebrity has its drawbacks. On one occasion, he spent an uncomfortable night in a bug-ridden hotel in the Seychelles. "May I put up a sign reading 'Noël Coward Slept Here'?" asked the manager as his distinguished and bleary-eyed guest checked out. "Certainly," yawned Coward, "if you'll add one word — fitfully."

A reporter asked him, "Mr. Coward, would you like to say something to the 'Star'?" "Of course," the thespian replied. "Twinkle."

10. The Epson PC AX.

Quick repiler par excellence, bargain.

Speaking of stars, the leading light of today's PC market just has to be the Epson PC AX. It replicates a full 25% quicker than IBM's newest PC AT.

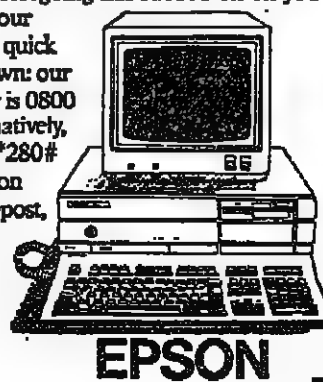
The AX is also the smart answer to the problem of quick computers running some software unworkably fast. Operating at 6, 8 or 10MHz, the AX will happily run all the software you've hitherto been using with your slower computer.

And how, we hear you ask, does the AX compare with the IBM PC AT on specification? Here's the quick reply: for a start, the AX comes with 640K Ram as standard, whilst the IBM has just 512K.

What's more, the AX has 7 available option slots — more than the IBM. And the AX will handle up to four disk drives and a total of between 20 to 80mb of hard disk space. The IBM can't.

All this, yet if you were to ask how its and the IBM's prices compare, the AX could truthfully retort, "They don't." For the Epson PC AX will set you back just £1,999 (+VAT), rather substantially less than the IBM PC AT.

If all the foregoing has rubbed off on you a little, now's your chance to try a quick reply of your own: our phone number is 0800 289622. Alternatively, call up Prestel "280" or write to Epson (UK) Ltd, Freepost, Birmingham, B37 5BR and let us be the ones to come back with that quick reply.



EPSON

THE ARTS

Architecture/Colin Amery

Japanese waves break over the West Coast

There is a new sequel to the old refrain, "Go West Young Man": it should say, "Go West for the influence of the East." It may just be geography that explains it—after all there's nothing much except the Pacific between Los Angeles and Japan. In both San Francisco and Los Angeles the strongest architectural and design currents are those coming in waves from Japan.

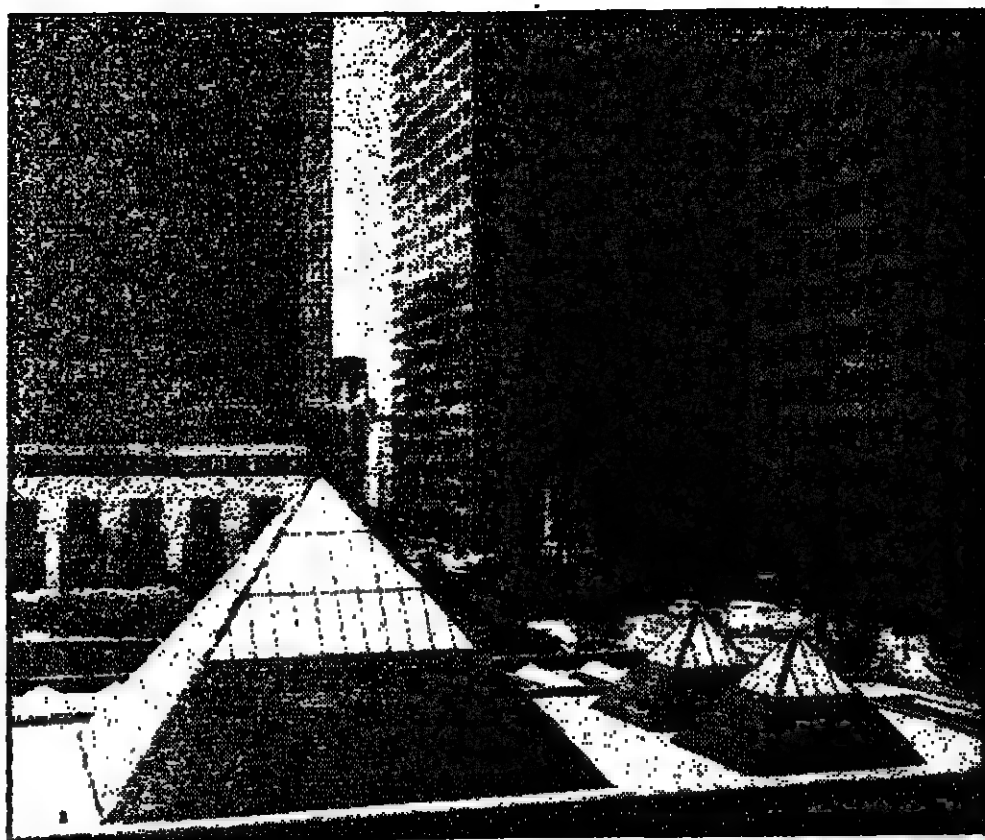
Tokyo Form and Spirit is the title of a major exhibition that has just triumphantly concluded a visit to the San Francisco Museum of Modern Art. Although this show originated in the Walker Art Centre in Minneapolis and went to New York, the large scale layout in San Francisco and the involvement of the Asian Art Museum in that city made it especially spectacular.

It is an exhibition that should travel the world, simply because in exhibition terms it is so highly innovative and enjoyable. The best Japanese architects play a large part in this evocation of a city by designing a series of walk-through environments that display six themes of modern day life in Tokyo.

Arata Isozaki's Performing space designed with Eiko Ishioka is a brilliant parody of a Shinto shrine housing a column of video monitors, and a glass performance platform housing 63 televisions constantly showing amazing Japanese television commercials. The whole display pays homage to the "Wired God" of video and television. There is throughout the exhibition a telling willingness to explore the ubiquitous consequences of Japan's mastery of micro-technology and its consequences.

Artists like Hiroshi Hara use robotic figures and the programmed flickering diode to examine the role of working in contemporary Tokyo. The human and the mechanical aspects of urban creativity are what this exhibition is about. Being designed by the best Japanese artists, the show also has that calmness and abstract order that are qualities much admired on the West Coast. The hideousness of so much of Los Angeles—the freeway detritus—has at last created a demand for austerity and order.

One such oasis is to be found at the new Museum of Contemporary Art which opened in December last year in a building designed by Arata Isozaki. It is in the region of the sprawl of LA known as Bunker Hill or "the new downtown". The 138 acres of redevelopment stretches east of the Harbour Freeway from the renovated Biltmore Hotel and Pershing Square to the Los Angeles Music Centre. The new museum has been described by the architect as "a village among the skyscrapers," and it is a pretty accurate description.



Pyramid-shaped skylights on the Museum of Contemporary Art's new home in the downtown Los Angeles business district

Anything by Isozaki is beautifully composed—he favours an abstract base but in silhouette and materials there are intelligent and intriguing historical references. Not for nothing is the initial sketch for this building reminiscent of a range of pyramids surrounded by waving palms in an urban desert.

Because of the anonymity of its commercial neighbour, particularly the bland glass cylinder by Arthur Erickson, Isozaki selected powerful and colourful materials for the museum. A strong red Indian (from India) sandstone sheaths most of the building in alternating bands of polished and uncut stone. To emphasise the independence of the museum from its neighbours it is broken up into several sections and parts of some of these are clad in panels of dark green aluminium with pink bands in between.

Isozaki has also introduced a new material that is made in Japan, neoparum—a gleaming crystallised glass—that looks like the most highly polished marble. Many of the walls where this exotic material is used curve and undulate. The effect of this highly reflective material in the strong light of LA is to turn the solid walls into walls of water.

There are some misleading

things about the exterior. You expect the huge overhanging barrel vault with its onyx windows to mark the main entrance. The form is reminiscent of the Guggenheim Museum in Japan but here it is on a less grand scale and just abutters a somewhat cute pink and green box that dispensed the tickets.

The main entrance is down the courtyard steps—giving all the galleries a somewhat subterranean feeling. The major galleries that are top-lit by the pyramids have an excellent light but there are some surprising lapses: the long space linking the north and south galleries is disappointingly tunnel-like. Isozaki has explained that his galleries here are to be neutral backgrounds for modern art installations. They have therefore no detail of any kind and rely for their success on proportion and scale. There is an elegance and clarity about them—they are perfectly conventional, neutral and certainly do not interfere with the art.

The outside of the building and the interplay of materials is the best part of this museum. By any standards it is an important piece of the best of modern Japanese architecture—the most brilliant thing about it is its sense of civilised scale in a city where

that is hard to find in the free-way sweep of the public realm. Isozaki has made an intelligent place that is beautiful.

It is worth pointing out that the City of Los Angeles has acquired this museum for nothing—it has been given by the developers of the surrounding California Plaza—a gift worth \$23m. It is also exceptionally good value, some \$8,000 sq ft of good space and a very high quality of design.

It is important if you are in Los Angeles to visit the other half of the Museum of Contemporary Art—known as the Temporary Contemporary—a former warehouse brilliantly converted by Frank Gehry. I have to say that this kind of raucous space really suits large scale modern art better than the too-smooth "fine art" galleries. The Temporary Contemporary, for me, brought the installed works to life in a way that the undoubtedly elegance of Isozaki's museum does not.

In its determination to consolidate its status as an important city of art, LA has recently opened the large addition and first stage of a renovation programme for the Los Angeles County Museum on Wilshire Boulevard. It is the new Robert O. Anderson building that you first see as the new doorway to the museum. Working to a master plan by

Hardy Holzman Pfeiffer Associates the museum is expanding considerably. These architects have had the task of planning an enlarged and improved circulation that includes the original 1960s buildings by William Pereira and Associates who had designed a bland Lincoln Centre for the arts, surrounded by a moat and fountains.

What Hardy Holzman Pfeiffer have done is to insert a powerful wedge of glass brick, stone and terracotta building into the central space between the three original boxes. It is like finding a huge slice of rich fruitcake sandwiched between three moist white sliced loaves. On Wilshire Boulevard the appearance of the Anderson building is an effective section of the new museum.

The new approach turned by this new block leads through a long cloistered stair with the names of the donors inscribed on dark granite walls behind a pool. This is clearly like a visit to a cathedral or a war memorial. However things improve in the covered courtyard and the interiors of the new galleries (some 50,000 sq ft for 20th-century art) where the light filtered through the louvred glass bricks on the side walls makes for good and interesting lighting conditions.

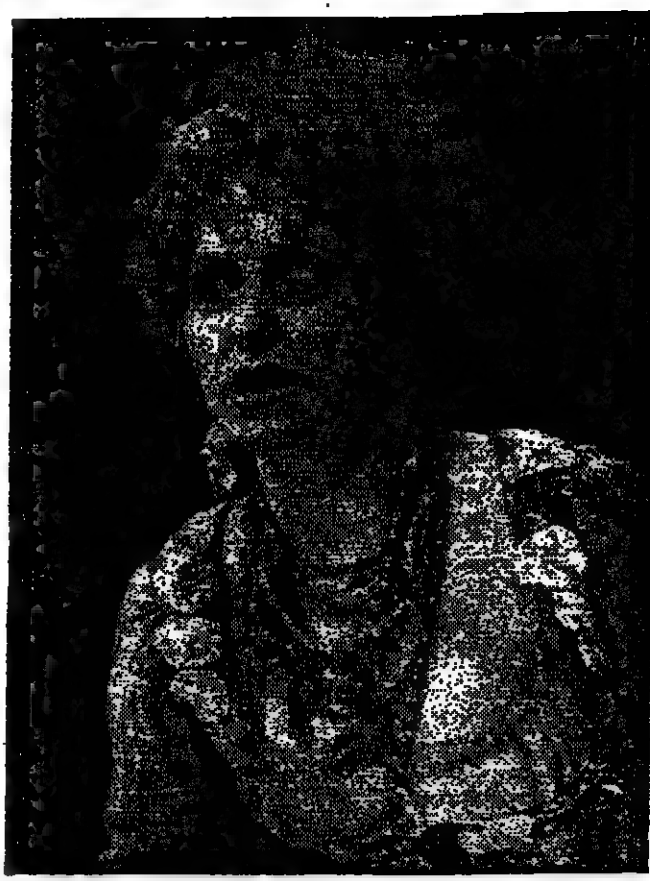
The planning of the galleries is a formal enfilade on the top floor with a series of smaller rooms around the door openings is effective. Bridges link the old and new buildings, and the sensation of going in and out of the sunshine is agreeable. There is an ingenuity that is impressive about this extension—it makes the earlier buildings with their good mixture of Eastern and Western art look incredibly old fashioned and dowdy.

The great event of next year will be the opening of the new (inevitably) Japanese Art Pavilion. Mr and Mrs Joe Price have donated their outstanding collection of two period paintings to be housed in a building designed by a wonderful maverick architect Bruce Goff. It was the last thing he designed before he died and it looks in drawing form as though it will be an extraordinary structure with suspended roofs and translucent walls. Japan will dominate in a way that is likely to make Hardy Holzman Pfeiffer's work look ponderous.

Los Angeles is undoubtedly becoming a city that will have to be high on any itinerary for lovers of things Eastern as well as American. All this activity poses quite a challenge for the growing Getty...

The Mystery of Edwin Drood/Savoy

Michael Coveney



Alain Milner

Dickens died before completing *Edwin Drood* but not before suggesting that the lawyer's clerk Bazzard was a frustrated playwright. This has prompted all manner of theatrical elaborations on the old stump of a mystery and Richard Holmes, who prepared this version for Joseph Papp and Broadway where it won five Tony awards in a lean year, goes the whole hog and frames the story in Victorian music hall.

The actors team through the Savoy shouting for volunteers to take votes at the end of the show and hailing customers in the galleries. This terrible bruhaha yields Ernie Wise as the chairman of the Music Hall Royale introducing the characters and informing us that our votes will decide who murdered Edwin.

The adoption of roles allows for mugging and gesticulation but not for much in the way of laying down motivation. If you treat the evening as a pantomime and vote on a hunch or because you preferred one performer to another you may feel satisfied. I found the proceedings so much of a mess, the mechanics so tawdry, that voting for anyone was out of the question. The company is allowed to declare that Edwin is murdered and not missing, at which point Julia Hill's limelight-grabbing male impersonator storms on the premises only to return as a risen Lazarus spreading forgiveness and pious sentiment.

Many Droodists, notably Leon Garfield who completed the novel seven years ago, have made Edwin's uncle John Jasper a schizoid precursor of Jekyll and Hyde. Mr Holmes paints him thus and David Burt adds a vampiric touch not unlike the Phantom's occupation of the innocent soprano in *Leslie and Lloyd Webber*. The best song (words, music, even the orchestrations, are all by Mr Holmes), "Moonlight" reveals Jasper turning lupine at the eyeshed while his pupil Rosa, Edwin's fiancée, obeys his musical whim.

There is a poisoned operatic romanticism to this item, but the musical style elsewhere is stuck in the old-fashioned, in the manner of the music hall and the P.O. Yip. So at least the London producers have found the right address. Ernie Wise shuttles us pleasantly, with the odd garish gag, between the pictures and the opium den in London run by the Princess Puffer, where Jasper is treated to an orgasmic dream of sex and murder peopled with naked harpies and stoned Pan people

who crawl out from under his sedgemoor.

The estimable Lulu is Puffer and we have far too little of her for my money. The role was sung on Broadway by Cleo Laine and although Lulu has a much rougher voice, its range is big enough to encompass some severe demands upon it. And she has a delightful stage personality.

The Landless brother and sister prove more prosaic. The murder of Neville is cut and Helen, at least in the First Night version, has an unexplained hissing accent veering between stage Indian and Spanish. The biggest mystery of all in Dickens is the late arrival in Clonistham of Datchery and his curious bedroom habit of notching up private memories in his cupboard. You will have to vote on the identity of Datchery; then on who murdered Drood; and finally on which couple live happily ever after—quite implausibly, we saddled Puffer (scarcely identified as Rosa's grandmother) with Phil Rose's earth-larding alcoholic stonemason Drood.

Bazzard, always longing for larger parts and deserving his chance in the ideal shape of Paul Bentley, is a thespian whose wages hardly cover the train fare from Peterborough. The chairman has to take over Major Sapsa from an indisposed colleague while in Paul Cohen, the American Petti Colenour stood in most ably for Sarah Payne.

This is not so much an adoption as a musical jape and not very much of a transatlantic response to the RSC's *Nicholas Nickleby*. It is alleged that there are 700 alternative endings which I take to be an admission of the enterprise's weakness. Why bother saving the mystery at all if you can just arrive at any old conclusion?

Wilford Leach's direction is sloppy at the edges and the choreography by Graeme Dingle is ordinary. The band is strong under the musical direction of Joe Alexander, and a word of commendation for Bob Shaw's receding perspective designs and colourful scenic tabs and flats. The sound system needs attention, as does audibility among the singing principals.

Leila and the Wolves/Channel 4

Edward Mortimer

The very existence of *Leila and the Wolves* (tonight, Channel 4, 10 pm) is a triumph of artistic ambition over seemingly insurmountable odds: a full-length feature film written and directed by a Lebanese woman, implicitly offensive to every official faction in the Middle East, yet filmed on location in Syria and Lebanon.

The British Film Institute and other Western co-producers showed courage and imagination in backing this Arabic language scenario which assumes some knowledge of 20th-century Middle Eastern history; problematic for western viewers even in tonight's subtitled version, especially as the film lacks a central story line. The director, who has justified this on the grounds that "those of us from the Third World have to reject the ideas of film narration based on the 19th-century bourgeois novel with its commitment to novelty. Our societies have

been too inculturated and fractured by colonial power to fit into those neat scenarios."

That is a cant. "Neat scenarios" are and always were an artistic device, not an exact portrayal of social reality. But the artist is free to do without them, provided he/she has something else to hold the public's attention—and Helen Sour does.

Her theme is that women have been the usual casualties and martyrs of political conflict in Palestine and Lebanon, from the 1920s to the present. This is illustrated in a series of short sketches, all using the same actors and all centred upon the same lead (Nabil Zeitouni) to refute the remark of her boyfriend (Rafic Ali Ahmed) that "women played no part in politics in those days".

The most attractive of these sketches is set in a Palestinian hill village during the Arab revolt of 1936-38. A bride procession is used as cover for a gun-

under the noses of the British troops, with the luckless bride carried east as a native policeman in khaki shorts: "what a handsome man! Such a pity he is a traitor." The picture of Palestinian folk culture with its traditional music, costumes and humour is so charming that one feels real sadness at its approaching destruction.

Later scenes are set in the Lebanese civil war, implicitly shown without spelling out who are goodies and who baddies—as the continuation of the Palestinian conflict. Now girls join in the fighting directly. The men accept them as comrades-in-arms, yet consider them "other" and thus dishonoured, unacceptable as brides. The traditional order with its institutionalised oppression of women lies shattered, for a new order in which they would be truly emancipated seems as far off as ever.

Benvenuto Cellini/Maggio musicale

William Weaver

The 50th Maggio musicale offered Florence an excellent occasion for rejoicing: and for the festival's inaugural performance there was all the apparatus of a gala: glittering audience, TV crews, flowers generously decorating the auditorium of the Teatro Comunale.

On stage, the sort of rarity that the Maggio, since 1933, has brought with flair and taste: Benvenuto Cellini, last seen in Italy over a decade ago, when the Covent Garden production visited La Scala, and virtually unknown to the

country's opera houses before that. Cellini after all, was in Florence: an so the Berlioz opera, besides being unfamiliar, was also patriotically appropriate.

Unfortunately, the opera is also uneven, difficult to make coherent; and though this Florence presentation had some good qualities, it seemed finally prolix and ill-conceived. Musically, the chief flaw was the conducting of the Soviet artist Vladimir Fedoseev, previously heard here only in the symphonic repertoire. From the Overture it was clear that

Fedoseev was bent more on superficial effect—volume and speed—than on nuanced interpretation.

Sylvano Bussotti designed the sets and costumes. After the traditional, handsome *Giocanda* he created at the Comunale last autumn, we could legitimately hope he would invent a plausible Rome. But, instead, he succumbed to a Zeffirelli-like elephantiasis, with a silly streak all his own. What, for example, could have been the point of devising an enormous, gilded (and, no doubt, costly) version of the Cellini salt-cellar, only to

push it across the stage once, aimlessly, during the Roman carnival? And why should the Pope be accompanied by cardinals wearing pastel shades—powder-blue, cerise—like so many bridesmaids?

The libretto of Wally and Barberis may not be a masterpiece, but the stage directions are practical and effective. The producer, Elijah Moshinsky, chose to ignore them, thus making some scenes hard to follow (the father's return home in Act 1; the double appearance of monks in Piazza Colonna), and others merely

cluttered, and to no purpose. Moshinsky's own ideas were not much in evidence.

Pat Smythe Award

The Pat Smythe Trust has given its second annual award for outstanding young jazz musicians to saxophonist Julian Argüelles.

The award of \$1,000 was presented by Ronnie Scott at a concert last week at University College School Theatre, Froggall, NW3.

Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 8-14

Music

LONDON

Halle Orchestra conducted by Stanislas Skrowaczewski, with Walter Klein, piano, Mozart and Mahler, Royal Festival Hall (Mon), (925 3191).

Dietrich Fischer-Dieskau, baritone, with Hartmut Hall, piano, Mahler, Queen Elizabeth Hall (Mon), (925 3191).

London Symphony Orchestra conducted by Jeffrey Tate with Kyung-Wha Chung, violin, Beethoven and Brahms, Barbican Hall (Tue), (638 8891).

Jacques Loussier, Royal Festival Hall (Tue).

London Symphony Orchestra conducted by Neeme Järvi with Jan-Erik Gustafsson, cello, Rachmaninov, Tchaikovsky and Prokofiev, Barbican Hall (Tue).

Dietrich Fischer-Dieskau with Hartmut Hall, piano, Wolf, Queen Elizabeth Hall (Tue).

Emile Naoumoff, piano: Ravel, Rachmaninov, Schumann (Wed), Salle Gaveau, (4522 9871).

Baroque Music: Lully's *Alceste* in one-act version conducted by Jean-Claude Malgoire (Thurs), T.M.F. Chatelet, (4233 4444).

Orchestre National de France conducted by Valery Gergiev: Mahler's Symphony no 5 (Thurs), La Vilette, La Grande Halle, (4548 7722).

Orgue Recital by Michele Guyard: Boyvin, Haydn, Saint-Saëns, Schumann (Thurs), Saint-Louis de la Salpêtrière Chapel, (4524 1516).

WEST GERMANY

Berlin, Philharmonie: The Berlin Philharmonic Orchestra, conducted by Eda de Waart, Mozart and Elgar, (Wed).

Münster, Philharmonie im Gasteig Kulturzentrum: The Baltimore Symphony Orchestra under David Zinman, Schumann and Prokofiev, (Tue).

Frankfurt, Bavarian Radio Symphony Orchestra, conducted by Sir Colin Davis, Haydn and Berlioz, (Wed).

NETHERLANDS

Amsterdam, Concertgebouw: Marie-Jeanne Dufour conducting the Netherlands Philharmonic, with Olga Martynova, violin, Herre-Jan Siegenia, cello, and Alexander Warenberg, piano: Beethoven, (Tue), (71 81 45).

Utrecht, Vredenburg: Marie-Jeanne Dufour conducting the Netherlands Philharmonic, with Olga Martynova, violin, Herre-Jan Siegenia, cello, (Tue), (4563 7953).

and Alexander Warenberg, piano: Beethoven, (Thurs), (21 45 44).

Maastricht, Cultuurtel Centrum: The Concertgebouw Chamber Ensemble with Jaap van Zweden, violin, and Anis Anderson, harp, (Tue), (21 33 00).

Groningen, Oostpoort: The Amsterdam Baroque Orchestra conducted by Ton Koopman: Haydn, Mozart, (Thurs), (13 10 44).

ITALY

Milan, Teatro alla Scala: Carlos Kleiber conducting Mozart and Brahms, (Mon), (689 125).

Bologna, Teatro Comunale: Beethoven conducted by Roberto Abbado, (Thurs), (529 999).

Rome: Chiesa di S. Agnese in Agnes (Piazza Navona): Gidon Kremer Chamber Orchestra (with violinist Pasquale Pellegrino), Vivaldi, (Thurs), (6875 952).

VIENNA

Bruno Leonardo Gelber, piano, Mozart, Schumann, Beethoven, Liszt, Musikverein, (Mon).

Vienna Hofburg Orchestra: Waltzes and Light opera, Konzerthaus Mozart Saal, (Tue, Thurs).

Vienna String Quartet: Mozart, Eder, Dvorak, Musikverein Brahms Saal, (Tue).

Vienna Chamber Orchestra conducted by Anthony Bramall, Fauré, Saint-Saëns, Mozart, Brahms Saal, (Thurs).

Vienna Symphony Orchestra conducted by Horst Stein with Françoise

Guyé, cello, Reger, Sutermeister, Frank, Musikverein, (Thurs).

NEW YORK

Carnegie Hall: Canterbury Choral Society conducting, Charles Dudley Hall conducting, Mahler (Mon), Philadelphia Orchestra, Riccardo Muti conducting, Jessye Norman soprano with Choral Arts Society of Philadelphia directed by Sean Delaney, All-Berlioz programme (Tue), Cleveland Orchestra, Christoph von Dohnányi conducting, Rudolf Serkin piano, Mozart, Bruckner (Wed), Collegiate Choral, Robert Bass conducting, All-Mozart Programme (Thurs), (247 7800).

Juliusen Concerts (IBM Gallery): Dover Chamber Orchestra, Handel, Beethoven and others, (Wed, 12.30), 50th & Madison.

New York Philharmonic (Avery Fisher Hall): Andrew Davis conducting, Cho-Liang Lin violin, Musorgsky, Tchaikovsky, Prokofiev (Tue), Giuseppe Sinopoli conducting, Rigotti-Kremer violin, Gabriel, Berg, Schumann (Thurs), Lincoln Center, (874 2424).

WASHINGTON

National Symphony (Concert Hall): Rafael Frubbeck de Burgos conducting, Josef Feghali piano, Stravinsky, Liszt, Beethoven (Tue), Rafael Frubbeck de Burgos conducting, Rigotti-Kremer violin, Gabriel, Berg, Schumann (Thurs), Lincoln Center, (874 2424).

CHICAGO

Chicago Symphony (Orchestra Hall): Sir George Solti conducting, Mahler (Wed, Thurs), (435 8111).

London Philharmonic/Festival Hall

David Murray

With Klaus Tennstedt out of action still, the LPO has been lucky with its substitute conductors. A week ago the young Franz Welser-Möst (not "Wesler," as misprinted in my review) led a cultivated and moving performance of Brahms' *Deutsches Requiem*; and on Friday the veteran Sir John Pritchard took over the scheduled Strauss and Schubert with resounding success.

The Strauss was *Don Quixote*, his "Fantastic Variations on a Theme of Knightrich." The guest cellist for Quixote was Heinrich Schiff, abetted by the LPO's own Ruslan Gunes as the viola Sancho Panza. (The advantage of a tone poem over an opera was immediately apparent: each of those excellent performers happens to look like natural casting for the other character.) Schiff lavished as many thoughtful subtleties on his part as he would on, say, a Beethoven sonata, and so much committed fervour that amid his pizzicato "drop of water" (after the knight has suffered a ducking) he broke a string.

Pritchard waited good-humouredly during the ensuing repairs, and took up the music again without any drop in concentration. He had begun it most ingeniously—a little wan and woolly, almost fragmented, distracted Quixote to the life! Thereafter, the energetic variations got full value, but always within the overall character of gently troubled, musing. Dull critics used to be sniffy about

38th Bath International Festival

The 38th Bath International Festival will run from May 22 to June 7 and feature music, musicians and art from both Russia and Italy.

Appearing will be the bass Paata Burchuladze, and piano duo Victoria Postnikova and Gennadi Rozhdzhevskiy.

From Italy will come the Orchestra de Camera da Padova and Il Nuovo Quartetto, Teatro Gioia Vita (Communita dell'arte) and the young leading dance company, Aterballetto.

Thirty galleries from all over Britain will contribute to the Contemporary Art Fair (May 22-25).



National Westminster Bank PLC

NatWest announces that with effect from Monday, 11th May, 1987, its Base Rate is decreased from 9.50% to 9.00% per annum.

All facilities (including regulated consumer credit agreements) with a rate of interest linked to NatWest Base Rate will be varied accordingly.

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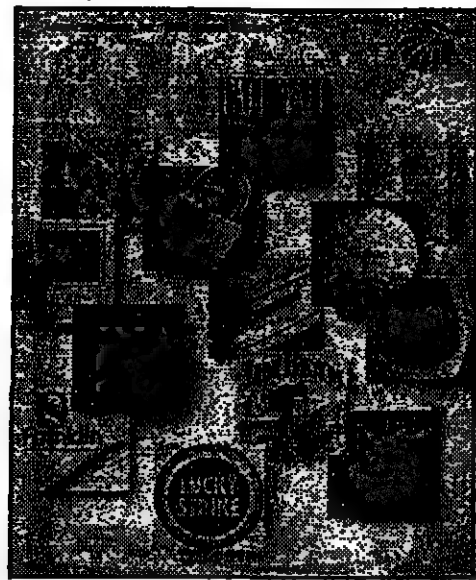
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Update 2

Part 1 was featured on May 6th.

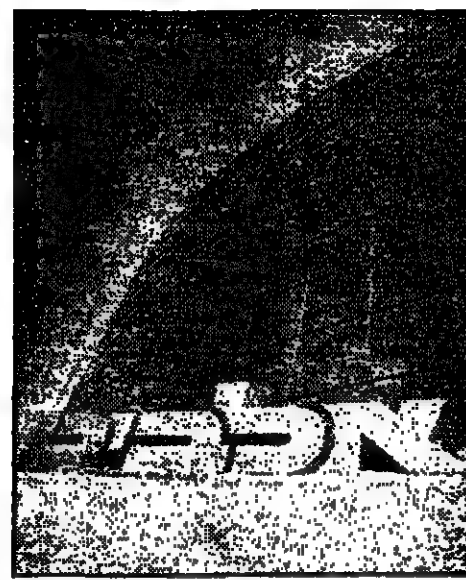
**American Brands, Inc.**

American Brands is a worldwide holding company with two core businesses—packaged consumer goods and financial services. 1986 sales were a record \$8.5 billion and net income was \$365.5 million, or \$3.18 per share.

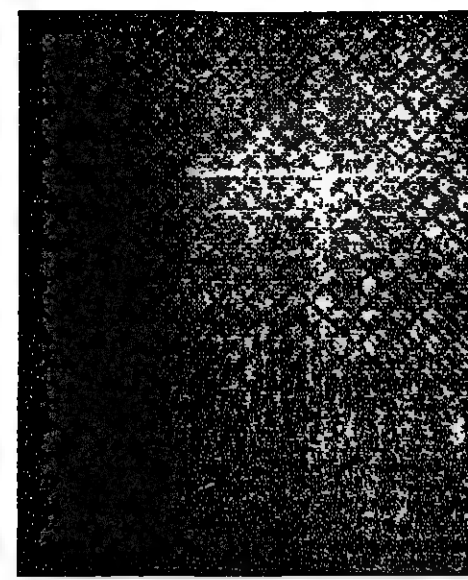
American's subsidiaries produce such well-known products as Pullman, Carlton, Lucky Strike and Tareyton cigarettes, Sunshine cookies and crackers, Master locks, Jim Beam bourbon, Tide, Pampers and Rock-A-Roll golf products, Swingline staplers and Jergens lotion. Service businesses include Falken's security and Franklin and Southeast life insurance.

**CSX Corporation**

CSX Corporation is much more than a railroad. It's now a full service transportation company offering One-Stop Shipping (OSM) by rail, barge, truck and container ship. Early this year, the company's purchase of Sea-Land Corporation won approval, which means that CSX service now circles the globe. With nearly \$13 billion in assets, CSX also operates business groups in energy, properties and technology, adding diversified strength to its principal transportation group.

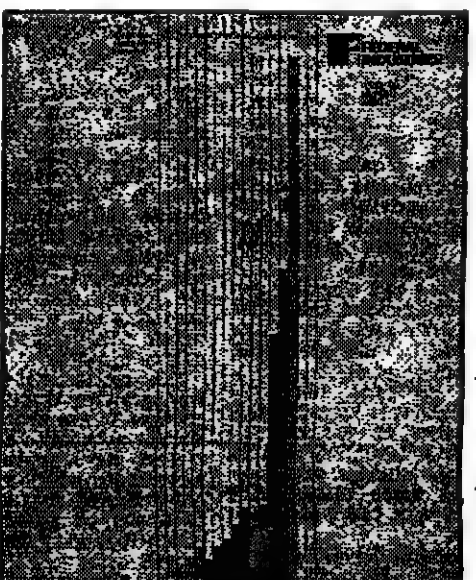
**Elbit Computers Ltd.**

Headquartered in Haifa, Israel, Elbit Computers Ltd. (NASDAQ:ELETF) is a technology-based company, applying advanced electronics systems, products and services to business opportunities in defense and industrial markets to government and commercial customers. Fiscal 1986 revenues were \$169.4 million while pre-tax income was \$22 million, a 19 percent increase over the previous year. Export sales represented 55% of total revenues. Backlog at year-end was \$254 million. For the first nine months of fiscal 1987, ended December 31, 1986, consolidated revenues were \$117.3 million and income before taxes amounted to \$15.6 million.

**Engelhard Corp. (NYSE:EC)**

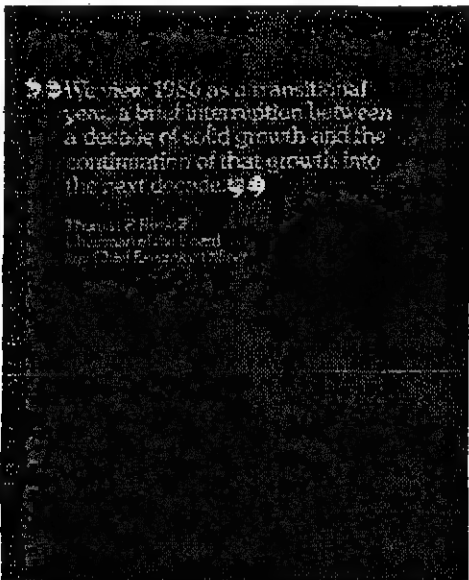
1986 net earnings increased 25% on the strength of new specialty chemical products, market share gains and improved operating efficiencies. Dividends were increased during the year and again, more recently, in conjunction with a three-for-two stock split.

In its Annual Review 1986, Engelhard's commitment to advanced technologies is documented in customer case histories with 32 leading companies.

**Federal Industries Ltd.**

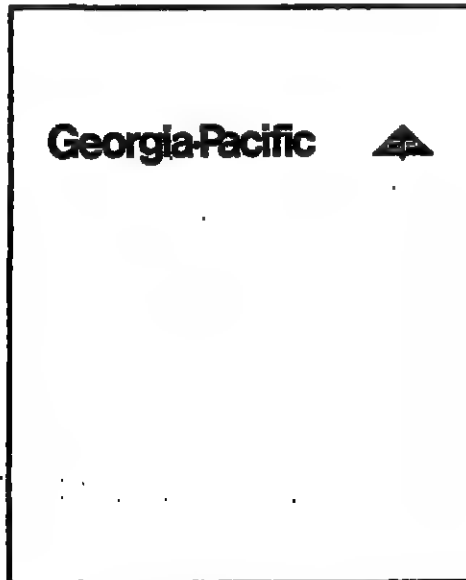
Federal Industries is a diversified management company, headquartered in Winnipeg, Canada, and involved in a variety of businesses—from manufacturing to transportation and distribution to specialty retailing—throughout North America.

In 1986, for the first time in the Company's history, sales exceeded \$1 billion. More importantly, net income and fully diluted earnings per share grew for the third year in a row.

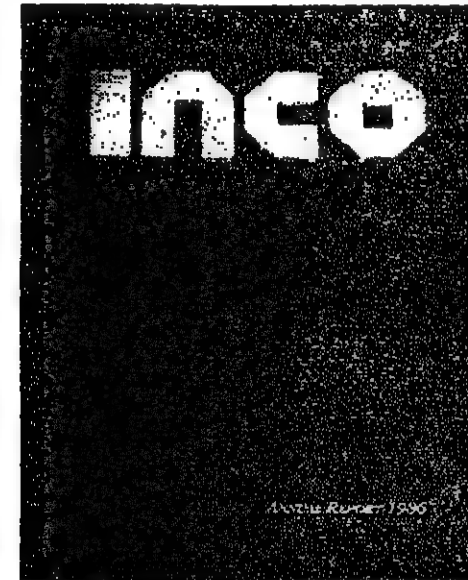
**Federal-Mogul Corporation**

Federal-Mogul Corporation, headquartered in Southfield, Michigan, is a manufacturer and worldwide distributor of products that range from precision parts for the transportation, farm equipment, construction and manufacturing industries to aerospace and electronic components.

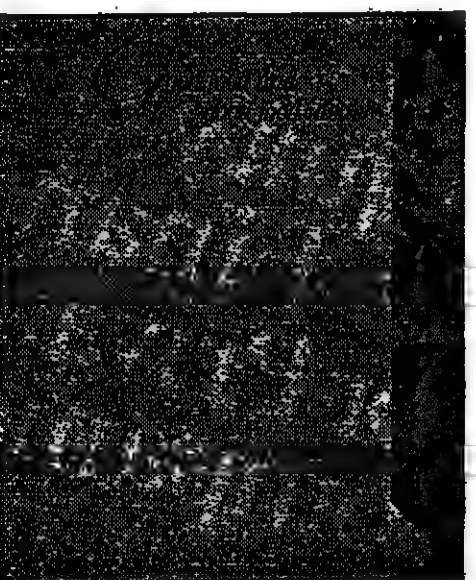
Shares of this \$342 million corporation are traded on the New York and Pacific Stock Exchanges.

**Georgia-Pacific**

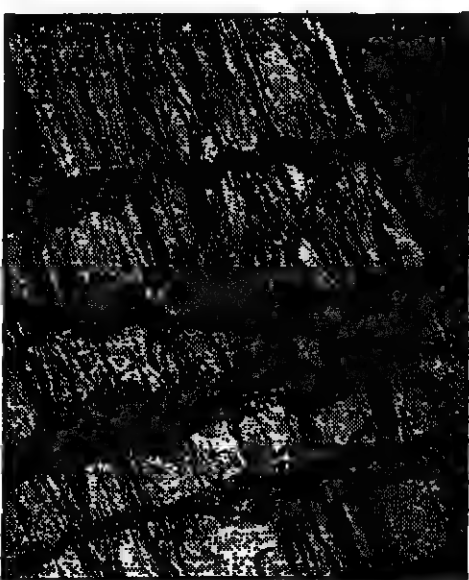
1986 was a year of solid performance for Georgia-Pacific. Net income rose 58% over 1985 to \$296 million. Sales reached \$7.2 billion as compared with \$6.7 billion the previous year. In the fourth quarter the dividend increased to 25¢ per share. And we continued to improve productivity and upgrade our product mix. Send for more good news in our annual report, in print or video.

**Inco Limited**

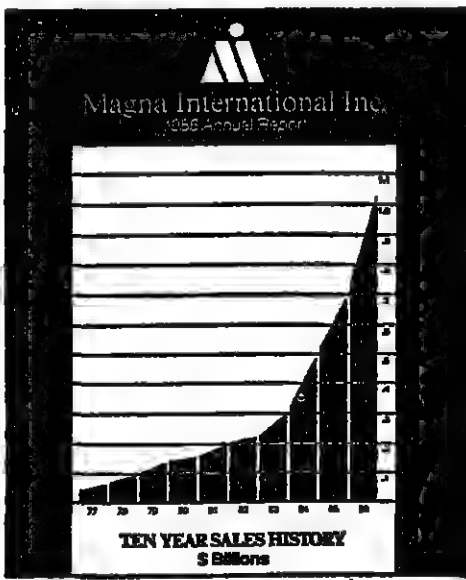
Inco Limited is the non-communist world's leading producer of nickel and a substantial producer of copper, precious metals and cobalt. In addition, Inco is the world's largest supplier of wrought nickel alloys as well as a leading manufacturer of blades, discs, rings and other forged and precision-machined components made from special alloy materials. The Company is also a major producer of sulphuric acid and liquid sulphur dioxide, and has other interests in metals, venture capital, mining equipment manufacturing, and engineering and technology sales. For 1986 Inco reported net sales of \$1,452 million (U.S.).

**Kraft, Inc.**

Kraft, Inc. is a multinational food and consumer products company with 1986 sales of \$8.7 billion. Food products marketed under such brand names as Miracle Whip, Philadelphia Brand, Velveeta, Breyers and Lender's, as well as sales to foodservice and industrial customers, accounted for 89 percent of sales. Consumer products is represented by Dancell Inc., the world leader in consumer alkaline batteries.

**LAC Minerals Ltd.**

LAC's 1986 Annual Report contains a special section titled "A Strategic Approach to Mining". It gives insights into the business and philosophical approach on which LAC's success has been founded... success that includes production of more than one million ounces of gold in the past five years. The Report also provides detailed information on operations and exploration activities including production and reserves figures. LAC Minerals is a major North American gold producer with interests in platinum-palladium, limestone, oil and gas.

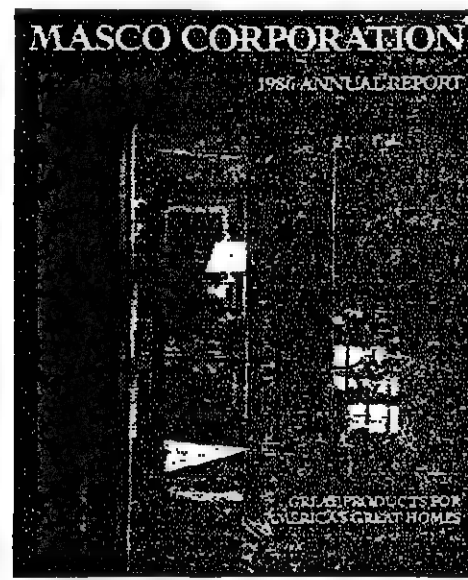
**Magna International Inc.**

Magna International Inc. designs, develops and manufactures a diverse line of automotive components and systems for sale primarily to original equipment manufacturers.

Our unique corporate culture allows Magna to make a better product for a better price; and that in turn has given us continued growth averaging 30% annually in sales and profits.

In 1986 earnings increased 24% to \$47.3 million.

The Company has more than 85 facilities in North America and one in West Germany. Magna is a public company. Its class A shares are listed on the Toronto Stock Exchange and with NASDAQ in the United States.

**Masco Corporation**

MASCO CORPORATION, a UNIQUE GROWTH COMPANY with leadership market positions, has reported 30 CONSECUTIVE YEARS OF EARNINGS INCREASES. Sales and earnings during this period have increased at average annual compound rates of approximately 20 percent.

Masco manufactures Building and Home Improvement Products and Home Furnishings and Other Specialty Consumer Products.

Send for our 1986 Annual Report to learn why, we believe, Masco's earnings will continue to grow at an average annual rate of 15 to 20 percent annually over the next five years, with our sales in 1991 approaching or exceeding \$3 billion.

Part of 3 page series appearing May 6th, 7th and 8th.

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Monday May 11 1987

The onus is on Botha

THE SOUTH African election result comes as no source of comfort for the Republic itself or for the region as a whole. The surge of support for the far right deals a severe blow to the slim hopes that the ruling National Party would revive the stalled reform process, while the likelihood that Pretoria will play an even more aggressive, destabilising role in Southern Africa increases. President P. W. Botha may continue to talk of reform but the record of the last two years and the nature of the election campaign calls into question his commitment.

On the face of it, President Botha achieved a parliamentary triumph, increasing his party's strength from 125 to 133 in a 178 member house. But further consideration may suggest that by calling the election the President has made a second fundamental misjudgment in his efforts to resolve the country's political crisis. The first was his introduction in 1984 of a new constitution which created a tricameral parliament with separate chambers for whites, Indians and coloureds (non whites). This rebuffed black demands for a place in a national legislature which would be a single body.

The 1987 campaign by the National Party, offering no realistic constitutional outlet for black aspirations, has similarly antagonised blacks, who last week stayed away from workplaces and schools in the largest protest the country has seen. Even the moderate Chief Mangosuthu Buthe, who saw the voters in Natal shift to the right in clear rejection of the multiracial administration the Zulu leader had advocated for the province, now speaks in apocalyptic terms about the probable conflict ahead.

Black aspirations

Within the National Party itself Mr Botha may prove to be a liability. For those who fear the far right challenge at the next election, due in 1990, the President's association with reform—albeit limited—may be a disadvantage. For those in the party who advocate change, Mr Botha would not seem to be the appropriate leader. Either his heart has never been in meaningful reform, or the man who said that South Africa must adapt or die lacks the courage of his convictions.

The prospect, however, that white politics is now going to be dominated by a National Party bankrupt of ideas as to how to meet black aspirations,

and looking over its shoulder at far right parties, who, in winning nearly 30 per cent of the vote, doubled their electoral support, augurs ill for South Africa.

Hopes that defectors from the National Party, such as Dr Denis Worrall, could form a moderate alliance with a strengthened Progressive Federal Party and the business community have been dashed. Such an alliance may yet materialise, but clearly its time has not yet come.

Racial confrontation
 The outcome of the election does not make matters any easier for Western governments, whose influence on Pretoria has always been limited. The selective economic sanctions imposed by the West last year were designed not to cripple the South African economy but to send a clear message to Mr Botha about Western repugnance for apartheid and to reflect the growing doubts in Western capitals about his government's commitment to change. In the wake of the election there is likely to be growing debate about the merits of that strategy. Some will argue that the only proper response to developments in South Africa is to keep turning the economic screws. Others are claiming that sanctions have helped drive whites back into the laager from which they may have been slowly emerging.

It may turn out that there is little the West can do at this stage at least, to help avert the crisis in South Africa. But Western governments can help ameliorate the potential consequences for the black-led states in the region by assisting them to reduce their transport and trade links with Pretoria.

In the last analysis the ball is in Mr Botha's court. It can only be hoped that his election victory will encourage him to return to the process of reform which he himself once advocated and which seemed to provide a path to a negotiated solution to his country's problems.

An imaginative recycling plan

FINANCE MINISTERS meet this week in Paris under the auspices of the OECD can be under no illusions about the health of the world economy. The OECD, like other forecasters, has revised down its already modest growth projections. The dollar remains fragile despite a rising interest rate differential in its favour. Chronic trade and international debt difficulties remain unresolved. Never has an imaginative strategy for tackling these interlinked problems been more urgently required.

Policy-makers seeking constructive solutions should examine the proposals put forward in Tokyo last week by Dr Saburo Okita and his colleagues at the World Institute for Development Economics Research. The report, *International Surpluses for World Development*, urges the Japanese Prime Minister to consider a much more ambitious recycling of the trade surplus than he proposed in Washington a fortnight ago. Mr Nakasone talked of new untied loans to developing countries worth \$50bn over three years; Dr Okita suggests that \$125bn over five years is closer to what is needed.

Global perspective

The wider report takes the view that the size of Japan's surplus is much less important than how it is spent. From a global perspective, the pressure on Japan (and to a lesser extent West Germany) to stop financing protectionism by saving too much is slightly irrational. It makes sense only within the narrow frame of reference of industrialised countries and ignores the fact that the debtors of the Third World are being forced to transfer resources to the rich north because new loans are falling far short of repayments of interest and principal.

The attack on excessive saving in Japan is thus occurring against a backdrop of an acute shortage of capital in the Third World. A sizeable reduction in the unsustainable US trade deficit is certainly desirable; the point to remember is that this does not entail an

Magnetic pull

Dr Okita and his colleagues do not think Japan should try to reduce its current account surplus (forecast at slightly over \$80bn in 1987) below about \$50bn for the foreseeable future. But they do think that at least \$25bn a year should be earmarked for developing countries. Capital, however, will not flow of its own volition to the Third World.

There are all kinds of obstacles: new lending is seen as extremely risky because of the huge overhang of old debts, direct investment by companies is impeded by legal and political constraints, and portfolio investment is circumscribed by the volatility and tiny capitalisation of bourses. On top of this, US markets exert a magnetic pull—last week Japanese investors were again bidding aggressively for US Treasury bonds despite months of currency and capital losses.

The diversion of foreign capital away from the US would be a much better way of forcing Americans to live within their means than protectionism. The question, however, is whether finance ministers are willing to pay more than lip service to ambitious plans to recycle the surpluses to the Third World. The wider study argues the case for the setting up of a special trust fund, for explicit government guarantees on loans to the debtor countries, for interest rate subsidies, for a bigger role for the World Bank and the IMF, and for a decisive reconstruction of the overhang of old debt.

None of these proposals is likely to appeal to finance ministry officials, but that does not mean they should not be considered by the politicians. It can sometimes be riskier to do nothing than to do something.

CAN AMERICA MAKE IT? In the first of a series, Guy de Jonquieres and Anatole Kaletsky

seek reasons for the dramatic decline in American industrial performance

The enemy within

AFTER almost a century as the world's pre-eminent industrial power, the US is being forced to acknowledge that its period of unchallenged leadership is over. In an increasing number of sectors it is being relegated to the role of follower. For a nation which has long taken for granted its place at the centre of the economic firmament, the psychological blow has been profoundly unsettling.

"There is a deep anxiety in our country that something is wrong," says Senator Max Baucus (Democrat), a co-founder of the congressional caucus on competitiveness, a bipartisan forum created to legislate on economic and trade issues. "This is new to us. We always assumed that our products were the best, that we were the envy of the world. Now we're losing jobs, we're buying all these products from Japan and we are being beaten. But we have seen the enemy and he is us."

The persistence of a huge trade deficit which, in dollar terms at least, has been slow to respond to the steep devaluation of the dollar is one index of the malaise. For many Americans, the most telling evidence has come from watching one domestic industry after another battered by intensified international competition, above all from Japan and the Pacific Rim.

In the manufacture of basic steel, motor cars, machine tools and many categories of consumer products, the US has been forced into disorderly retreat and, in some cases, surrender. Despite such setbacks, the US rate of unemployment is still among the lowest in the world. But the shock of seeing their domestic industries humbled and their national Treasury descending into debtor status has drawn Americans' attention to disturbing features in their economy's enviable record of job creation as well.

For the jobs have been created at the expense of a dismal record of productivity growth and a marked decline in living standards. Indeed, productivity and living standards, rather than budget deficits or trade, are coming to be recognised by businessmen, politicians and labour leaders as the two vital components of the competitiveness issue.

In the past 10 years, business output per man hour has grown by a meagre 0.9 per cent a year. Although productivity has increased rather faster, it has failed to keep pace with improvements in real competitor economies. With the collapse of the dollar, America's per capita gross national product, the broadest measure of the country's international economic standing, has for the

first time fallen behind Japan's to say nothing of the richer European nations such as West Germany, Switzerland and Sweden.

Most dismayed of all for individual Americans, real earnings fell dramatically in the late 1970s and have shown no recovery since as jobs have shifted from manufacturing to service sectors.

But if the vision of a post-industrial economy built around services is hardly alluring, neither can the US take refuge in the assumption that its superiority in high-technology will win the day, a worsening high-technology trade balance, the dispute with Japan over semiconductor memories and demands by American microchip companies for government support underscore the extent to which the US has been obliged to concede technological parity or even advantage to Japanese and other rivals.

"The only US high-technology industry which has maintained its competitive position in recent years is commercial aircraft," says Mr John Alie of the Office of Technology Assessment, a research agency of Congress.

In the short-term, the dollar's sharp fall has provided many American industries with a much-needed respite. But in the longer run whatever competitive benefits they are able to reap will be preserved—and living standards safeguarded—only if a way is found through the productivity bottleneck.

The alternative will be for the US to leave the exchange rate to take the strain and to accept a further erosion of real incomes, which have stagnated since 1973. In short, it will be condemned to settle into the pattern of gradual decline set by Britain earlier this century.

This unenviable dilemma has stirred up a volatile debate in Washington on national competitiveness. Earlier this year, President Ronald Reagan delivered a 1,000-page opus on the issue.

But whether anybody other than the pulp and paper industry will be much better off is doubtful. Competitiveness is an imprecise and elusive concept, easily appropriated by special

interest lobbies, often with widely differing objectives. It is as readily invoked by both the Reagan administration to justify free trade and laissez-faire policies as by proponents of protectionism and greater government intervention.

It is, in any case, questionable whether Washington can do much. Even the champions of protectionism concede that "unfair" trading by Japan and other countries has little or nothing to do with the long-run stagnation of US productivity growth.

In any case, many of US industry's most intractable problems have more to do with deeply ingrained attitudes of mind, management methods and working habits than with policies which can be changed at the stroke of a pen.

Its severest handicap is a long history of tunnel vision. While comfortably entrenched in their vast domestic market, relatively few American companies bothered to look overseas, either for customers or for new ideas.

Professor Robert Hayes of Harvard Business School puts most of the blame for flagging competitiveness on management. "Many of our industries became completely closed off to add capacity, and very little by the quest for increased efficiency."

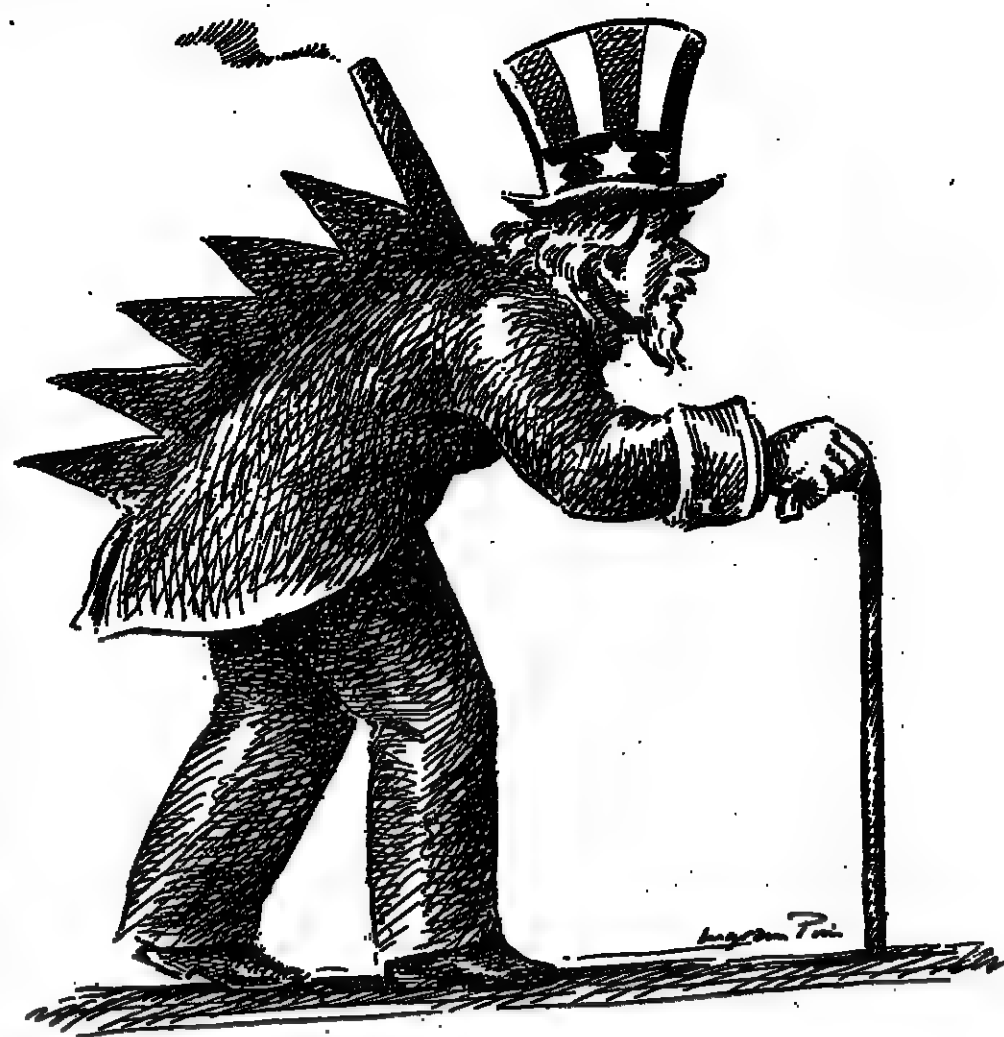
These deficiencies have left US industry wide open to attack by Japanese companies which were not only much more efficiently organised on the factory floor but, still more important, saw manufacturing as a vital strategic function intimately tied in with product design, development and engineering.

After the triple blows of the 1979 oil crisis, the 1981 recession and the Japanese import invasion, many US industries were finally shaken out of their complacency and recognised the need for change.

For some, chiefly larger companies, the initial answer was to plunge headlong into factory automation. General Motors, GE and IBM have, since the late 1970s, all been working on ambitious plans to modernise and re-equip their plants with technically advanced manufacturing systems.

So far, the results have been mixed. GM was far too optimistic about the benefits which high-technology could yield on its own and underestimated the practical problems of applying it. GE and IBM have both suffered from downturns in the market for the products made by their shoppiece plants.

Many other companies are discovering that substantial efficiency gains can be made with little or no spending on fancy automation. As Mr Thomas Graham, president of USS (formerly US Steel) main-



corporate headquarters preoccupied with financial management and marketing. Capital investment programmes were driven mainly by the need to retool for new product cycles or to add capacity, and very little by the quest for increased efficiency.

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tain: "We run our business to make money not to brag about our equipment."

At USS, plant closures, reduced raw material costs and a union agreement on flexible working practices won after a bitter strike last year have cut the man hours needed to make a ton of steel to four from more than 10 in the early 1980s.

Even parts of the machine tool industry, devastated by a collapse of demand and severe import competition in the early 1980s, are showing renewed signs of life. Cincinnati Milacron, one of the largest manufacturers, has rebuilt profit and turnover by cutting staff in its traditional activities and expanding successfully into areas including plastics machinery, robotics and lasers.

Since Ford and Chrysler ran into serious financial difficulties several years ago, both have re-evaluated manufacturing operations, reducing the headcount to cut costs and raise quality. Quality has led to extensive reorganisation of working patterns, tighter inventory control, revised relationships with suppliers and much closer links between design and production engineers.

Their efforts have been rewarded with dramatic profit recoveries and evidence that they have narrowed the Japanese lead in costs and production quality. "In the past three to four years, we have probably achieved about half of what it took Japan 20 years to do," says Mr Bill Scollard, Ford's vice-president of manufacturing.

The key question, however, is whether this rate of progress is fast enough. Though Ford and Chrysler have won social-

ism for the design of their latest models, their product development times and costs are almost double those of their top Japanese competitors.

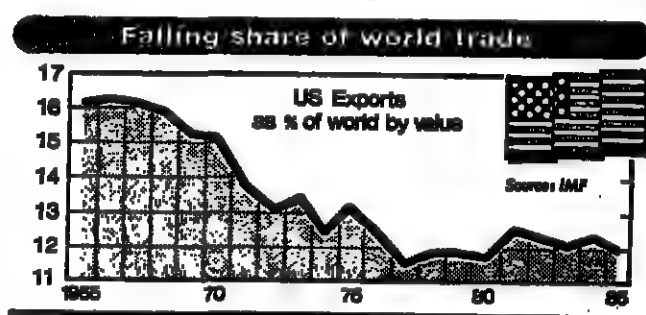
Furthermore, there is some evidence that many of the gains by US industry so far have been achieved by tackling the easiest problems, and that making further progress may be an uphill struggle. GM, for instance, faces growing shopfloor resistance to plans to introduce a "teamwork" system of rotating job assignments, a step which the company considers crucial to improving productivity and quality.

If the erosion continues there is a danger not only that, despite the weaker dollar, the trend among larger companies to source components overseas will accelerate, but also that in the longer term the US will gradually lose a vital skill base which will be extremely difficult to rebuild.

The realisation is nevertheless growing that fundamental changes in the structure of the world economy and trading system have undermined the advantages which the US once enjoyed, and that many of the problems of adjustment with which it is grappling are deep-rooted.

The resources America can draw on are huge, and with enough persistence and determination its industry stands a fair chance of reversing the decline. In some areas, it may yet re-establish its former competitive excellence. But the days when the US could count on being first in every field in which it chose to compete are gone for good.

The series will continue on Wednesday's Management Page.



incomes, which have stagnated since 1973. In short, it will be condemned to settle into the pattern of gradual decline set by Britain earlier this century.

This unenviable dilemma has stirred up a volatile debate in Washington on national competitiveness. Earlier this year, President Ronald Reagan delivered a 1,000-page opus on the issue.

But whether anybody other than the pulp and paper industry will be much better off is doubtful. Competitiveness is an imprecise and elusive concept, easily appropriated by special

Men and Matters

a sort of computerised David Butler, and put it all on a disc which clients can feed into their own computers. If there is a joker in the pack, one must know whose it is.

A friendly mole has explained some of the technicalities. Labour seems to assume that any proposal to swap a progressive tax for a poll tax must create many more losers than winners. The margin is red.

Wrong. Rates are based on such moth-eaten valuations that it is pretty much an even trade-off; and if half the electorate gains from the change, but less than half at present plans to vote Tory, then there seems to be a clear blue margin.

This could be wrong too, though because it may be very difficult to persuade large households, and especially poor ones, to register to pay the tax. If that happens on any large scale, you suddenly get more losers than winners after all. Put that on to your disk, Mr Davies.

Worcester clearly regards this kind of thing as the pollster's equivalent of insider trading, and complained to the Stock Exchange last time round. He was told that the market is that kind of place, and boys will be boys. He is still shocked.

Red knight's move

As media tycoons go, Owen Oyston doesn't yet rank with the Rupert Murdoch or Robert Maxwell of this world.

"I'm only a little media baron," says Oyston, who is involved in cable television and commercial radio. Yet it looks increasingly likely that the fate of the new left-of-centre newspaper, News on Sunday, lies in the hands of this self-made multi-millionaire—the sort of man Mrs Thatcher so approves of.

Unless Oyston, who built a chain of 100 estate agents in that north-west into a business worth £30m before selling out recently to Royal Assurance, pays for a relaunch, the newspaper Labour activists have

dreamed of for years will probably collapse before the general election campaign is half-way through.

"I believe there is a need for a radical paper which will give a view of life and social and political issues, which is different from the establishment view," says Oyston, a life-long Labour voter but not a member of the party.

Oyston, who will have to put up about £3m to safeguard the newspaper's immediate future, believes its survival is important to highlight the effects of de-industrialisation and unemployment in the north.

"The paper is an exciting way to advise Mrs Thatcher that there is a need for selective investment in the north in a consistent way," he says.

However, he says he is not prepared to pour money down a hole in the ground, and all his business experience suggests you cannot have a good product without good profits.

When he took over Radio Aire in Leeds, the station had lost £1m in three years. It is now profitable.

Personal vote

Quite of the generally political character of today's column, I cannot resist this addition to the Observer compendium of double-speak character references. This one comes from Mair.

"Any employer will certainly find, as I have, M. — will invariably perform all his duties to his entire satisfaction."

Or perhaps that isn't quite as non-political as I had at first supposed.

Mod cons

"In addition to our normal house-finding services," a Surrey estate agent has advised his clients, "we are now able to offer selected bachelor flats and attractive bed-sitters at realistic rentals." And some ground-floor flats no doubt have French windows, too.

Observer

Let sleeping dogs bark

In all the rivers of newtype which have flowed since last Thursday, nobody seems to have noticed the one local election issue that would surely have interested Sherlock Holmes. This is the dog that didn't bark: the Conservative proposals to abolish local rates and substitute what even Mrs Thatcher now calls a poll tax.

The fascinating thing about this is that both Labour and the Tories regard it as their own secret weapon. Labour has listed it as part of the secret agenda which is supposed to chill the blood of potential Tory voters. The Tories are both amused and offended; so far from being secret, it will be introduced with fanfare in order to tempt those who might otherwise vote Labour.

This is all very unsatisfactory for those in the City who like to think they have some inside information on the election outcome — or even those like Guy Davies of Goldman Sachs, who has put a lot of work into



"They're crying out for rossette makers at the moment"

Statistically corrupted

For all the celebrations in the stock market and the television talk of surprising results, one man claims that he knew it all along.

The vote in the local elections last week was actually closer to the opinion poll forecasts than it strictly had any business to be, according to Bob Worcester of Mori. All parties scored within 1 per cent of their poll ratings, while the polls only claim to be accurate within plus or minus 2 per cent.

We all get much too excited about the polls, he explains. For the umpteenth time. Everyone, for example, says that they are highly volatile; but allowing for the margin of error, they do not even show a trend. The last eight national

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YOU WOULD probably expect a Defence White Paper from a British government led by Mrs Margaret Thatcher to be both hawkish and dogmatic, and you would be right. This year's version is a fairly extreme example of the genre, no doubt because election time is here again.

At all events, it contains a large ingredient of party politics, with one little essay criticising the defence policy of the Alliance parties, and two little essays criticising Labour. Some element of party-politicalising is understandable. The unilateralist posture of the Labour Party would represent such a fundamental break with the defence policy that has been pursued by governments of both left and right, since the Second World War, that the Ministry of Defence is entitled to underline the fact.

It is entitled to argue the case that Nato cannot dispense with nuclear weapons for its defence. And it is entitled to argue against a reduction in the commitment of US forces to the defence of Europe. Even if such a reduction is not explicitly part of Labour's platform, there is no doubt that there are people on the European left who query the American contribution to Europe's security, and there is a strong possibility that Labour's anti-nuclear defence policy, if implemented, might lead to a reduction in the American commitment to Europe.

More unfortunate is the dogmatic little essay claiming to prove, yet again, that if Britain is to have a nuclear deterrent, there is no conceivable alternative to the Trident D5 submarine missile system being acquired from the US. A categorical assertion of this kind is out of place, since the technical case for a particular weapons system cannot possibly be as absolute as that, and the main argument against Trident is not technical, but political. But let it pass—this is a pre-election period.

But the really disturbing section in the White Paper is the first essay, called: "70 Years On: A Country or a Cause?" This purports to be a detached discussion of the policies and postures of the British Unionist, despite the innovations introduced by Mr Mikhail Gorbachev. It is still as much of a threat to our security as ever. The portentous antithesis and tautology of the title betrays both the tone and the conclusion.

"What is the Soviet Union today?" It asks sternly. "Is it a country with values and concerns much as our own—to live in freedom, with prosperity and in harmony with its neighbours?" The friendly face that

Foreign Affairs

A devilish plot and a drumroll by the men of the ministry

By Ian Davidson

Soviet leaders under Mr Gorbachev present to the world has encouraged some to take that view. Or is it an implausible opponent bent only on increasing its influence at the expense of Western interests and values? Which of these two pictures is nearer to the truth?

No prizes are offered for guessing the answer to that one. The Ministry does make a small concession to the spirit of open inquiry, however:

"It is important that we try to understand what Soviet aims

the British, French, Austro-Hungarian, Ottoman or Spanish empires, nor to draw attention to what became of them.

Next, we have a reference to Communist ideology and a quotation from Lenin: "Socialists cannot, without ceasing to be socialists, be opposed to all war. Only after we have overthrown finally defeated and expropriated the bourgeoisie of the entire world... will wars become impossible." Your scholar does not underline the fact that this quotation, from 1916, antedates both the Revolution and the Soviet Union's

struggle against capitalism. That struggle continues today... In the absence of unmistakable evidence of a change in long-term Soviet objectives—evident, but not yet being forthcoming—a prudent policy of the West must remain one of caution. Drumroll: national anthem; credits; curtain.

Well, of course, we all get the point. The great virtue of the Ministry are warning all its innocent girls not to be taken in by the wicked wiles of that sinister seducer, Sir Jasper Gorbachev. It's been proved time and again. The Russians Are Only After One Thing! So stay well away from him, put your faith in nuclear deterrence and drop a penny in the Trident Collection Box.

It is a great tribute to the Ministry that they have made that for this kind of thing. Everybody knows that the Soviet Union has been our enemy on ideological principle and must still be assumed to be our adversary, if only under the powerful compulsion of historical necessity: their system and their East European conquests place them in a hostile camp.

Conversely, there is a vast community of interests and values between Western Europe and the US, whereas the Soviet Union has a long way to go, in principle and practice, before it can claim membership of civilised society.

And yet little doubt that, to many Europeans, Mikhail Gorbachev is more popular and more trustworthy than Ronald Reagan. Mr Gorbachev looks like the good guy, with his incessant overtures to the West, while Mr Reagan, with his devotion to Star Wars,

seems to be dragging his feet over arms control. Mr Gorbachev looks like Mr Clean with his crack-down on corruption, while Mr Reagan is slithering in the slime of frangate.

But the trouble with the Ministry's response to this dilemma, is that it is so crude, so vulgar, so third-rate. There are several new ingredients in our East-West quandary; no useful purpose is served by pretending that they do not exist, or that safety consists in relying on the simplicities of the world before Gorbachev, before Star Wars, before Reykjavik, before a probable Euro-missile deal.

Silliest of all, and therefore most counter-productive, is our man's apparent argument that nothing has changed in Soviet objectives since Mr Gorbachev came to power, just because we do not have scientific evidence that everything has changed. Life would be simpler if we could go back a few years, but we do not have that option.

The Euro-missile negotiation is a case in point. Mr Gorbachev's volte-face, with his offer to remove a whole class of European-based nuclear missiles, faces Nato with at least two major questions of credibility: first, the credibility of America's nuclear commitment to Europe; second, the credibility of Nato's conventional nuclear doctrine of flexible response. Needless to say, neither question is even mentioned in the White Paper.

But these are minor matters, compared with the political questions—marks over the Gorbachev innovations. To sneer at his "friendly face" is merely juvenile. We may not know his deepest objectives, or we may distrust them; perhaps his

secret purpose is to use "peace" as a weapon to divide the West and undermine the independence of Western Europe.

The fact is that he is the first Soviet leader to adopt an innovative posture towards the West in terms that are both plausible and conciliatory; and we must deal with him on the ground he has chosen, because neither public opinion nor common sense will permit us to prefer nuclear confrontation if there is any possibility of an alternative.

If Gorbachev remains in power, he is virtually bound to continue his active pursuit of East-West détente, because what he says is consistent both with the facts and with Soviet interests in a world of nuclear parity: the restructuring of the Soviet economy does require a calm and stable international environment, whereas there are no circumstances in which it would be in the Soviet interest to run any risk, however small, of nuclear conflict.

This does not mean that Mr Gorbachev plans to surrender Soviet interests for the sake of our blue eyes, far from it. It does not even mean that the world will remain as stable as it has been for the past 40 years of confrontation; on the contrary, the reforms he is urging on the East European satellites risk provoking instability and conceivably danger.

But it may mean a shift in the centre of gravity of the East-West contest from the military to the political; so that the West will need to look as much to its political unity as to its military security. In any case, the Ministry of Defence should give up its amateur Sovietology.

Lombard

The market in communication

By Samuel Brittan

NOT LONG ago there was a convenient compartmentalisation in methods of communication. There was print publishing, which was blessedly free of government regulation, although not outside the US protected by anything as formal as the First Amendment, which outlaws any abridgment of press freedom or publication censorship.

Then there were posts and telegrams, established on a monopoly and usually state-run basis, but obliged to act as common carriers for anyone who wanted to use them on a non-discriminatory basis.

Thirdly, there was broadcasting over the air, which, on the pretext of "spectrum shortage" was subject to extensive regulation. Even in countries such as the US, with a free enterprise approach, spectrum was never treated like land or other natural resources, and leased to the highest bidder in the market place, but allocated on a discretionary basis by a government agency.

Modern communications technology is bringing these distinctions to an end. Any kind of message can now be sent on a variety of media.

A large part of publishing may eventually, for instance, take an electronic form; and much of the information now contained in books, or even literary texts, may be assembled by the user from a central data bank.

It is far too early to sort out the relative roles of different transmission systems, such as terrestrial broadcasting, satellite, or advanced cable systems. But governments cannot just wait events. For regulatory structures inherited from an earlier age may inhibit new developments. Governments, moreover, need a strategy for maximising competition, despite the fact that certain key elements in the new systems, such as cables to individual households, are likely to remain monopolies or at best duopolies.

Most important of all, safeguards are required to ensure that the freedom of expression already gained in print publishing is extended to other media, and not restricted as it so easily could be, as a side-effect of electronic transmission.

For all these reasons the

award by the Department of Trade and Industry of a major study contract to P.A. Computers to examine the development of the UK electronics infrastructure is of concern to a far wider public than electronic specialists or pressure groups.

The study was touched off by Recommendation 15 of the Peacock Committee which proposed that telecommunication operators such as British Telecom or Mercury should be permitted to act as common carriers for a full range of services including television programmes.

One problem is that the role of pure common carrier may not be found commercially attractive. BT for instance told the Peacock Committee that it would be prepared to replace the copper wire household telephone lines with optic fibre, which would be able to carry an indefinitely large number of channels, if only it were permitted to transmit television entertainment. But it backed off this proposal at a rate of knots as soon as Peacock had endorsed it.

Without prejudging the viability of a full fibre optic grid, there are unnecessary obstacles which could be easily removed in the review of policy due in 1990. For instance TV cable companies could be permitted to transmit voice telephony, and BT could be obliged to make its ducts available to the companies.

The great danger is that the Home Office will cling to broadcasting regulation, while the DTI will see electronic communications mainly as a heaven-sent market for British electronics manufacturers.

The true objectives should be (a) to enlarge freedom of expression and artistic creation, and (b) to satisfy consumer requirements. Members of the official study group should take time off to read a civilised and distinguished US study, *Technologies of Freedom* by Daniel J. Solove (Harvard, 1983) which not only makes useful specific suggestions on regulation, but relates the whole subject to the battle to secure the all-important First Amendment, which we could do with so much in Britain at this time.

Pressure on the dollar

From Dr A. Drobny and Mr S. Wren-Lewis

Sir—Your interesting analysis of the chronic US-Japanese trade imbalance (May 5) raises two issues we wish to emphasise.

You suggest that the large appreciation of the yen that has already occurred is sufficient to reduce significantly the sizes of both the US trade deficit and Japanese surplus. Our model of the world economy (GEM) confirms this. This does not, however, imply that the yen has appreciated sufficiently to produce a sustainable pattern of current accounts in the medium term. The forecasts produced by GEM suggest that at current exchange rates the US deficit may, after an adjustment period, fall to about half its current level.

The Japanese surplus might in such circumstances fall to three-quarters of its current size. Given the sheer size of the current imbalances, this implies that the current pattern of exchange rates would still result in persistent (and unsustainable) current account disequilibrium in the US and Japan.

Second is the problem of imbalances in current levels of domestic demand in the US and Japan (and Germany as well). The appreciation in the dollar during the first half of the 1980s was only one, albeit the most important, factor causing the US trade deficit with Japan. The other major cause was that domestic demand in the US grew much more rapidly relative to trend than in Japan.

During the 1970s US domestic demand grew by an average of about 3 per cent per annum while Japanese demand growth during those years was around 4½ per cent per annum. The corresponding figures for the 1980s are 4 per cent and 10½ per cent, respectively. From 1980 to 1986, in contrast, US demand grew at nearly 3½ per cent per annum, while Japanese demand growth fell to a yearly rate of only 3 per cent.

These two features of the trade imbalances between the US and Japan suggest to us that either Japanese growth will have to pick up substantially or dollar weakness will continue for some time to come. Our assessment of the fiscal stimulus recently announced by the Japanese Government is that this is insufficient to bridge the demand gap between these two countries.

Therefore, without further fiscal and monetary action,

Letters to the Editor

downward pressure on the dollar will remain.
(Dr) Andres Drobny,
Simon Wren-Lewis,
National Institute of Economic and Social Research,
2, Dean Trench St, SW1.

EEC code on S Africa

From the Director-General,
British Industry Committee
on South Africa

Sir—Michael Holman's article (May 5) refers to a report by the Labour Research Department on the returns by British companies to the EEC code of conduct for employment practice in South Africa. This report gives a very misleading picture. For example, the report says that 63 out of 142 British companies pay their workers less than the recommended minimum. In fact, as reported by the Department of Trade and Industry, more than 90 per cent of black employees (78,100 in total) are paid above the recommended level. This percentage has increased from 81 per cent since 1980. Labour Research also reports that only 50 companies have signed agreements with unions. More than 90 per cent of companies however allow all their South African employees to be represented by an organisation of their choice.

N. J. R. Mitchell
45 Great Peter Street, SW1

Slowcoach for Rolls-Royce

From Mr D. Storer

Sir—Your prospectuses for the Rolls-Royce share offer came thundering through my letterbox on the morning of May 7 (I had only asked for one, with spare application forms for my family, but your mind). They were beautifully got up; must have cost a bob or two. And they looked interesting, or rather they could have been interesting, except that they arrived 35 minutes before applications closed. So straight in the wastepaper basket they went. As it said, "If you wish to apply for shares, you must do so very quickly." Very quickly indeed.

I expect the good folk at Samuel Montagu and all the rest of them will be congratulating themselves on a wildly successful operation. No doubt they are all jolly good chaps, and worth every penny of the

millions they will make. Perhaps they could be generous enough to explain to simple people like me what is the point of spending colossal sums of money on inducing small would-be investors to telephone for application forms and then sending off the forms too late to be of any use?
Donald Storer,
41 Colebrook Avenue, W13.

No shortage of newspapers

From Mr G. Dougherty.

Sir—Richard Tomkins wrote (May 7) that people were complaining that there was a shortage of Rolls-Royce applications. Surely they were aware that applications were published in most national and provincial newspapers from last Thursday to Sunday or had they exhausted those sources on behalf of friends, neighbours, family, the dog, the cat? Maybe the 25p cost of the paper would reduce the potential profit margin.
G. J. I. Dougherty,
Deponia,
New Road,
Chidder Thornton,
Cheshire.

Realignment in opposition

From Mrs A. Stewart-Wallace

Sir—What the electorate appears to be struggling towards is a realignment of political parties, possibly a return to the pattern of the Whigs and the Tories. Violent swings to one side or the other are seen to be counterproductive. But the Alliance is dangerously wrong—even in its own future interests—in saying "the time has come." It has nearly come but if it comes too soon and brings with it proportional representation then future government by two alternating strong and responsible parties will have been thrown out of the window.

What is needed is a third and final successive defeat of Labour and a further term of Conservative government during which a sensible future opposition party might put itself together. The Callaghanite members of the Labour party, the SDP and the more practical Liberals might come together to form a responsible opposition worthy to be considered a future alternative government. The "loony left" consisting of the far left of the Labour party and the loony elements of the Liberals would, one hopes, then

only be a small group, if at all, in parliament.

But of course if this realignment came about the last thing the new opposition would want would be proportional representation. Having achieved respectable opposition status these new "Whigs" would dread a hung parliament which might be out of the small remaining band of "loons" in the House.

Post-electoral horse trading is not conducive to good government and not a part of British tradition. This new alignment can only come about by opposition that it should come about is essential to the future political health of this country but at all costs its price must not be the granting of proportional representation. It would strangle it shortly after its birth.
(Mrs) Mary Stewart-Wallace,
Moot House,
Ditching, Sussex.

The sterling devaluation

From the General Secretary,
Association of Professional Executive, Clerical and Computer Staff.

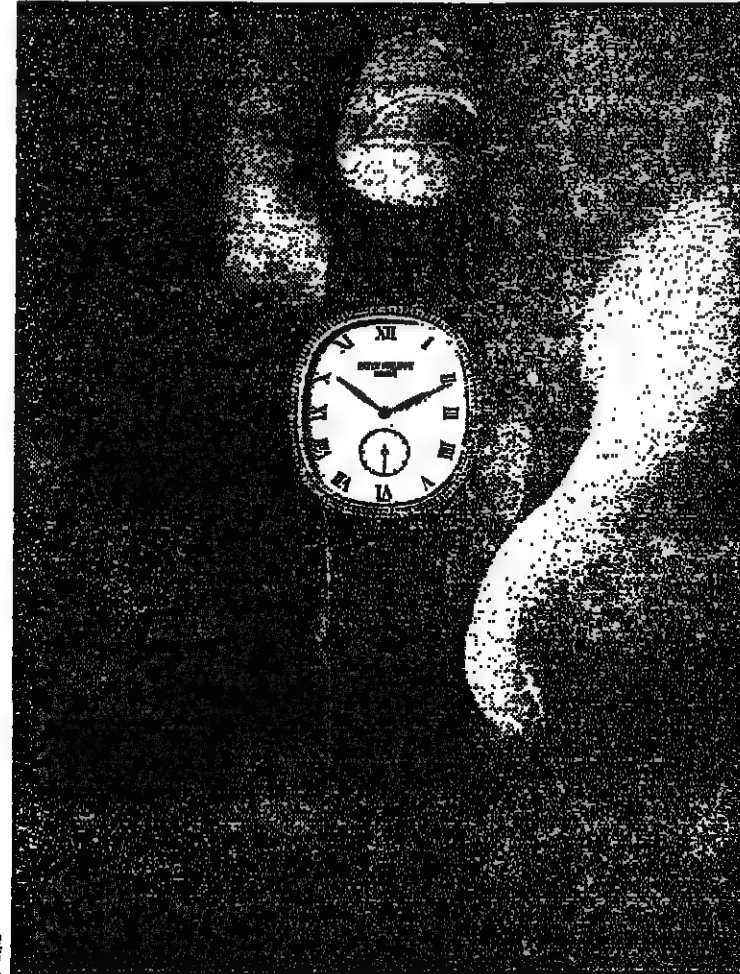
Sir—It was pleasing to see Samuel Brittan acknowledge (Apr 30) the great value to our country of the devaluation of sterling last year. Those who have criticised the monetarist experiment have faced fierce opposition from Mr Thatcher, Mr Lawson and Mr Brittan over the years to our desire to see a competitive exchange rate. Not only have the monetarists destroyed a quarter of our manufacturing industry they have enormously aided our overseas competitors in Europe and the Far East, not only by allowing them to replace the output the monetarists killed off, but by virtue of the enormous overvaluation of sterling to make massive profits on their exports to us, to sustain and expand their own industry. The only comparable disaster in European history is the enormous benefits that England and the Netherlands received from Philip of Spain's similar abuse of his South American gold. We all know where Spain was for the next four hundred years.

Samuel Brittan writes as if Britain was responsible for the sterling devaluation. The true hero is Sheikh Yamani who, growing tired of Mrs Thatcher's desire to pump every possible barrel of oil out of the North Sea, decided "at a stroke" to turn on the Saudi oil tap and halve the price of oil. Surely if any man deserves to be honoured in Britain it is Sheikh Yamani.

It is good practice in management and politics that if a policy goes disastrously wrong the authors should pay the price. Now we have a chance to do just that.
Roy A. Grantham,
22 Worple Road, SW19.

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INTERNATIONAL CAPITAL MARKETS

UK GILTS

Election prospects dominate sentiment

ONE WONDER how long the virtuous circle of a surging exchange rate triggering cut after cut in base lending rates can be sustained and therefore how much further yields on UK government bonds can fall.

The look of the gilt-edged market has been transformed in a matter of weeks. Not the least notable evidence of this change was the brief crossover on Friday between US Treasury bond and gilt-edged yields. This was an event which had widely been expected for later in the year but few, one suspects, expected it at this juncture.

British bond yields now look firmly established below 9 per cent and sterling shows no sign of faltering. Nevertheless, there are many reasons to inject a note of caution into current trading.

The Bank of England made it plain on Friday that it would use all its ammunition to fight market pressure for a further cut in base rates, establishing an upward sloping yield curve in the domestic money market and intervening in currency markets on a very substantial scale.

While sterling remains on a rising note, falls in interest rates should not be inflationary and the latest cuts in base rates are thought to leave the state of monetary policy no looser overall than before because of the pound's inexorable rise.

However, there are risks. First, once Mrs Thatcher calls an election, the current bout of euphoria may lose some of its shine and markets will start concentrating for real on the Conservatives' electoral chances. Yes, the local authority results were bad for Labour and good for the Government and the Alliance, but the results still suggested a much-reduced parliamentary majority and a great deal can change in the course of an election campaign.

Secondly, as no doubt Sir Robin Leigh-Pemberton, Governor of the Bank of England, will point out in a major lecture this week, there still remains a large over-hanging glacier of liquidity in the form of bank deposits which could start to melt as returns on investments are steadily eroded.

It is difficult to predict when

the melting process begins and there is the risk that once it starts it may be too late to snuff out the potential inflation. This is certainly part of the thinking behind the Bank of England's caution on interest rates.

The current struggle to keep a lid on sterling has other important consequences for gilts because of the sheer scale of intervention in the foreign exchange market. The bank's announcement of a new £1bn tap stock to be sold at tender on Thursday—the day after the auction of short-dated stock—probably brought the point home properly for the first time.

The only way to sterilise the build-up of foreign currency reserves is by selling more debt. Although, fortunately, the Government's regular funding needs are relatively low this year, intervention of this scale, if it were to continue, would substantially increase the gilt market's supply burden.

It is clear that the Bank cannot attempt to sterilise intervention on a current, month-by-month basis because this would leave the market with acute indigestion (during an election campaign).

Things can be evened out over the course of the year but there is likely to be hefty temporary acceleration in the growth of sterling \$3. This could start to worry the market, particularly as narrow money growth appears to be quickening up as well—another argument against allowing base rates to fall further.

The Bank's fresh supply on Friday—sterling £bn of 8 per cent 2002/08—is thought to have been more out of market management considerations, rather than the need to sterilise intervention, although it will also help in this respect. Whatever the thinking, the market did not like it and faltered for the first time in quite a while.

So, where does the market go from here? The answer lies in politics. With the possibility of an election date announcement today, politics will now dominate and market direction will be set by the day-to-day swings and roundabouts of the election campaign.

Janet Bush

US MONEY AND CREDIT

Japanese investors to the rescue

LAST WEEK'S \$29bn second-quarter Treasury refunding passed with the maximum of fuss, but it passed safely thanks to that stalwart of the US government bond market, the Japanese investor. Bond prices actually ended the week on a rising note, with the old Treasury long bond picking up to end the week unchanged, yielding 8.6 per cent.

But there were moments during the week when it looked touch and go whether the Japanese really would come to the rescue without some drastic rise in yields.

The Japanese are a patient race of investors. Since the refunding exercises this time a year ago when Japanese institutions bought heavily, the dollar has fallen about 18 per cent. This would not hurt so much if yen investors were still reaping capital gains on the bonds themselves. In fact, the dollar prices of last May's bonds have fallen almost as much again.

If this sort of loss were not enough to put any Japanese institution off dollar fixed-interest investment, the currency's recent performance should have done the rest. Having glided gracefully down into the mid-Y150s, the dollar plunged last month to around Y140. "The dollar was falling too rapidly," says Mr David Jones, an analyst at Aubrey Langston. "There was no way to get a fix on the low it would get to." For the first time, traders were toying with the possibility of a dollar exchange-rate in double-figure yen.

Large losses But Japanese interest in the refunding was just one of the market's worries last week. The precipitous fall in the market in April has left many bond investors and Wall Street firms sitting on large losses.

There were widespread fears that the four dozen primary dealers would be less ready to speculate on retail demand in buying up the issue. The knowledge that Merrill Lynch had made embarrassing losses in mortgage-backed securities merely added to the tension as the market went into the refunding.

The first day of the auction on Tuesday went swimmingly, with a stronger dollar setting off a small market rally. But this was a sale of three-year notes, a maturity too short truly to test inflationary or currency

fears. Wednesday's sale of \$9.75bn in 10-year notes went very wacky indeed, with the Japanese staying away in droves despite a yield no less than 5.7 percentage points higher than their home variety.

For some observers on Wednesday, the Japanese investment community was telling the world that it believed the dollar really would fall under Y90 over the next 10 years to wipe out the yield differential. After all, the dollar was trading at Y260 just two years ago. Alternatively, the Japanese were engaged in terrorising the market into pushing up yields for Thursday's long bond auction.

As it turned out, Japanese investors piled into Thursday's \$9.25bn issue of 30-year bonds, picking up between \$8bn and \$9bn of the bonds on offer at an average yield of 8.76 per cent.

Short trades

The day had been saved even at the cost of a 125-basis point increase in yield over the last such exercise, in February. And there were some doubts about the long-term intentions of the buyers. "The bonds are in relatively weak hands," says Mr Jones of Aubrey Langston. "The yield was bid up high enough to make the bonds temporarily attractive for short-term trades. You could buy at 8.76 in the auction and sell at 8.69."

Indeed, it is hard to find anybody willing to bet the respite from rising interest rates is more than temporary. The market is as anxious as ever about the dollar. It is probable that the dollar's relative stability in the Y130-140 range for

the past two weeks influenced overseas interest in the auction.

This was achieved without any blockbuster movements in discount rates, merely by some "snugging" in monetary policy by the Federal Reserve and a little downward movement in interest rates in West Germany and Japan.

But in the absence of a comprehensive support package for the dollar to convince the foreign exchanges, the credit markets will continue to suffer from dollar weakness.

The following statistics are due to be released this week. The median market expectation was surveyed on Friday by Money Market Services of Redwood City, California.

* Most attention will be fixed on Thursday's report on merchandise trade for March. The median estimate, out of 38 surveyed, is for a deficit of \$13.5bn. However, the range extends

from \$15.5bn to \$11.8bn.

* The figure for housing starts in April is due on Tuesday. The median of 26 estimates is for an increase of 1.75m with a range of 1.0m to 1.85m.

* Retail sales in April will be published on Wednesday. Out of 38 estimates, the median is for an increase of 0.6 per cent, with a range extending from an increase of 1.7 per cent to a decrease of 0.3 per cent.

* Friday sees the publication of movements in producer prices in April. Out of 38 estimates, the median is for an increase of 0.4 per cent. The range spreads from 0.2 per cent to 0.7 per cent.

* Figures for industrial production in April are also expected on Friday. The median estimate, out of 37 surveyed, is for a rise of 0.1 per cent. The range extends from a decline of 0.7 per cent to an increase of 0.5 per cent.

James Buchan

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 weeks ago	12 months ago	Low
Red Funds (weekly average)	6.30	7.21	6.79	11.34	5.71
Three-month Treasury bills	5.50	5.50	5.50	6.52	5.01
Six-month Treasury bills	5.50	5.50	5.50	6.52	5.01
Nine-month Treasury bills	5.50	5.50	5.50	6.52	5.01
One-year Treasury bills	5.50	5.50	5.50	6.52	5.01
Two-year Treasury bills	5.50	5.50	5.50	6.52	5.01
Three-year Treasury bills	5.50	5.50	5.50	6.52	5.01
Five-year Treasury bills	5.50	5.50	5.50	6.52	5.01
Seven-year Treasury bills	5.50	5.50	5.50	6.52	5.01
Nine-year Treasury bills	5.50	5.50	5.50	6.52	5.01
One-month Commercial Paper	5.75	6.75	6.25	6.80	5.42

US BOND PRICES AND YIELDS (%)

	Last Friday	1 week ago	4 weeks ago	12 months ago	Low
Seven-year Treasury	102.1	-0.1	102.1	102.1	102.1
20-year Treasury	102.1	-0.1	102.1	102.1	102.1
30-year Treasury	102.1	-0.1	102.1	102.1	102.1
Five-year Treasury	102.1	-0.1	102.1	102.1	102.1
One-month Commercial Paper	102.1	-0.1	102.1	102.1	102.1
Three-month Commercial Paper	102.1	-0.1	102.1	102.1	102.1
Six-month Commercial Paper	102.1	-0.1	102.1	102.1	102.1
Nine-month Commercial Paper	102.1	-0.1	102.1	102.1	102.1
One-year Commercial Paper	102.1	-0.1	102.1	102.1	102.1
Two-year Commercial Paper	102.1	-0.1	102.1	102.1	102.1
Three-year Commercial Paper	102.1	-0.1	102.1	102.1	102.1
Four-year Commercial Paper	102.1	-0.1	102.1	102.1	102.1
Five-year Commercial Paper	102.1	-0.1	102.1	102.1	102.1
Six-year Commercial Paper	102.1	-0.1	102.1	102.1	102.1
Seven-year Commercial Paper	102.1	-0.1	102.1	102.1	102.1
Eight-year Commercial Paper	102.1	-0.1	102.1	102.1	102.1
Nine-year Commercial Paper	102.1	-0.1	102.1	102.1	102.1
One-month Treasury	102.1	-0.1	102.1	102.1	102.1
Three-month Treasury	102.1	-0.1	102.1	102.1	102.1
Six-month Treasury	102.1	-0.1	102.1	102.1	102.1
Nine-month Treasury	102.1	-0.1	102.1	102.1	102.1
One-year Treasury	102.1	-0.1	102.1	102.1	102.1
Two-year Treasury	102.1	-0.1	102.1	102.1	102.1
Three-year Treasury	102.1	-0.1	102.1	102.1	102.1
Four-year Treasury	102.1	-0.1	102.1	102.1	102.1
Five-year Treasury	102.1	-0.1	102.1	102.1	102.1
Six-year Treasury	102.1	-0.1	102.1	102.1	102.1
Seven-year Treasury	102.1	-0.1	102.1	102.1	102.1
Eight-year Treasury	102.1	-0.1	102.1	102.1	102.1
Nine-year Treasury	102.1	-0.1	102.1	102.1	102.1

Source: Salomon Bros (estimates). Money Supply in the week ended April 27: \$1.35tn to \$1.36tn.

NRI TOKYO BOND INDEX

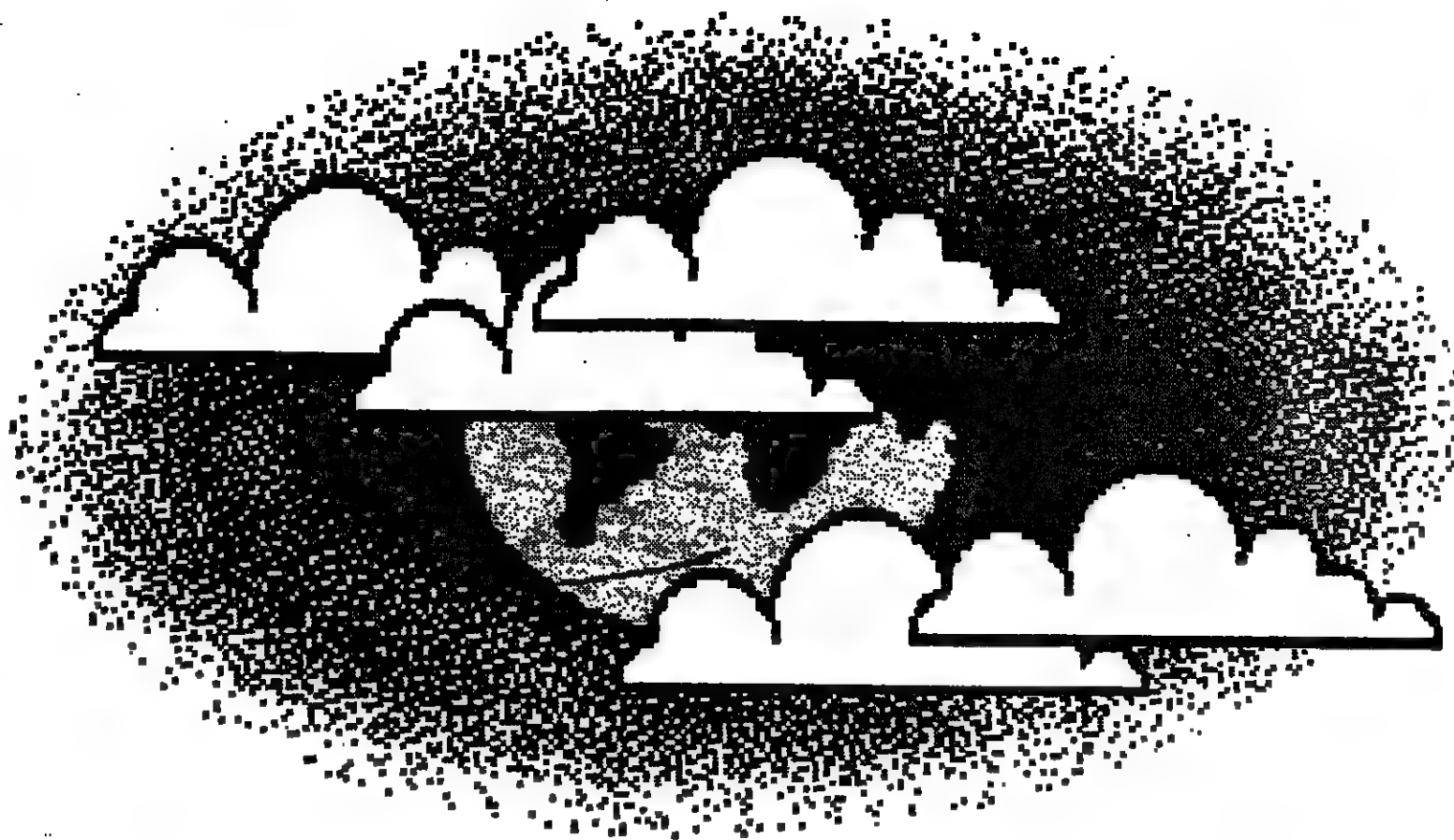
	December 1985 = 100	1 week ago	12 weeks ago	26 weeks ago
Government Bonds	142.82	142.76	142.76	142.82
Corporate Bonds	142.82	142.76	142.76	142.82
Bank Deposits	142.82	142.76	142.76	142.82
Commercial Paper	142.82	142.76	142.76	142.82
Government 10-year	142.82	142.76	142.76	142.82

Source: Nomura Research Institute.

FT/ABD INTERNATIONAL BOND SERVICE

US DOLLAR									
STRAIGHTS	Yield	Price	Change	Yield	Price	Change	Yield	Price	Change
AAA	10.00	100.00	0.00	10.00	100.00	0.00	10.00	100.00	0.00
AA	9.75	100.00	0.00	9.75	100.00	0.00	9.75	100.00	0.00
A	9.50	100.00	0.00	9.50	100.00	0.00	9.50	100.00	0.00
Baa	9.25	100.00	0.00	9.25	100.00	0.00	9.25	100.00	0.00
Baa1	9.00	100.00	0.00	9.00	100.00	0.00	9.00	100.00	0.00
Baa2	8.75	100.00	0.00	8.75	100.00	0.00	8.75	100.00	0.00
Baa3	8.50	100.00	0.00	8.50	100.00	0.00	8.50	100.00	0.00
Baa4	8.25	100.00	0.00	8.25	100.00	0.00	8.25	100.00	0.00
Baa5	8.00	100.00	0.00	8.00	100.00	0.00	8.00	100.00	0.00
Baa6	7.75	100.00	0.00	7.75	100.00	0.00	7.75	100.00	0.00
Baa7	7.50	100.00	0.00	7.50	100.00	0.00	7.50	100.00	0.00
Baa8	7.25	100.00	0.00	7.25	100.00	0.00	7.25	100.00	0.00
Baa9	7.00	100.00	0.00	7.00	100.00	0.00	7.00	100.00	0.00
Baa10	6.75	100.00	0.00	6.75	100.00	0.00	6.75	100.00	0.00
Baa11	6.50	100.00	0.00	6.50	100.00	0.00	6.50	100.00	0.00
Baa12	6.25	100.00	0.00	6.25	100.00	0.00	6.25	100.00	0.00
Baa13	6.00	100.00	0.00	6.00	100.00	0.00	6.00	100.00	0.00
Baa14	5.75	100.00	0.00	5.75	100.00	0.00	5.75	100.00	0.00
Baa15	5.50	100.00	0.00	5.50	100.00	0.00	5.50	100.00	0.00
Baa16	5.25	100.00	0.00	5.25	100.00	0.00	5.25	100.00	0.00
Baa17	5.00	100.00	0.00	5.00	100.00	0.00	5.00	100.00	0.00
Baa18	4.75	100.00	0.00	4.75	100.00	0.00	4.75	100.00	0.00
Baa19	4.50	100.00	0.00	4.50	100.00	0.00	4.50	100.00	0.00
Baa20	4.25	100.00	0.00	4.25	100.00	0.00	4.25	100.00	0.00
Baa21	4.00	100.00	0.00	4.00	100.00	0.00	4.00	100.00	0.00
Baa22	3.75	100.00	0.00	3.75	100.00	0.00	3.75	100.00	0.00
Baa23	3.50	100.00	0.00	3.50	100.00	0.00	3.50	100.00	0.00
Baa24	3.25	100.00	0.00	3.25	100.00	0.00	3.25	100.00	0.00
Baa25	3.00	100.00	0.00	3.00	100.00	0.00	3.00	100.00	0.00
Baa26	2.75	100.00	0.00	2.75	100.00	0.00	2.75	100.00	0.00
Baa27	2.50	100.00	0.00	2.50	100.00	0.00	2.50	100.00	0.00
Baa28	2.25	100.00	0.00	2.25	100.00	0.00	2.25	100.00	0.00
Baa29	2.00	100.00	0.00	2.00	100.00	0.00	2.00	100.00	0.00
Baa30	1.75	100.00	0.00	1.75	100.00	0.00	1.75	100.00	0.00
Baa31	1.50	100.00	0.00	1.50	100.00	0.00	1.50	100.00	0.00
Baa32	1.25	100.00	0.00	1.25	100.00	0.00	1.25	100.00	0.00
Baa33	1.00	100.00	0.00	1.00	100.00	0.00	1.00	100.00	0.00
Baa34	0.75	100.00	0.00	0.75	100.00	0.00	0.75	100.00	0.00
Baa35	0.50	100.00	0.00	0.50	100.00	0.00	0.50	100.00	0.00
Baa36	0.25	100.00	0.00	0.25	100.00	0.00	0.25	100.00	0.00
Baa37	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa38	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa39	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa40	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa41	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa42	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa43	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa44	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa45	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa46	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa47	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa48	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa49	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa50	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa51	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa52	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa53	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa54	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa55	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa56	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa57	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa58	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa59	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa60	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa61	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa62	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa63	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa64	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa65	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa66	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa67	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa68	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa69	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa70	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa71	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa72	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa73	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa74	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa75	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa76	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa77	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa78	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa79	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa80	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa81	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa82	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa83	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa84	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa85	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa86	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa87	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa88	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa89	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa90	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa91	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa92	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa93	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa94	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa95	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa96	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa97	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa98	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa99	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00
Baa100	0.00	100.00	0.00	0.00	100.00	0.00	0.00	100.00	0.00

US DOLLAR									
STRAIGHTS	Yield	Price	Change	Yield	Price	Change	Yield	Price	Change
AAA	10.00	100.00	0.00	10.00	100.00	0.00	10.00	100.00	0.00
AA	9.75	100.00	0.00	9.75	100.00	0.00	9.75	100.00	0.00
A	9.50	100.00	0.00	9.50	100.00	0.00	9.50	100.00	0.00
Baa	9.25	100.00	0.00	9.25	100.00	0.00	9.25	100.00	0.00
Baa1	9.00	100.00	0.00	9.00	100.00	0.00	9.00	100.00	0.00
Baa2	8.75	100.00	0.00	8.75	100.00	0.00	8.75	100.00	0.00
Baa3	8.50	100.00	0.00	8.50	100.00	0.00	8.50	100.00	0.00
Baa4	8.25	100.00	0.00	8.25	100.00	0.00	8.25	100.00	0.00
Baa5	8.00	100.00	0.00	8.00	100.00	0.00	8.00	100.00	0.00
Baa6	7.75	100.00	0.00	7.75	100.00	0.00	7.75	100.00	0.00
Baa7	7.50	100.00	0.00	7.50	100.00	0.00	7.50	100.00	0.00
Baa8	7.25	100.00	0.00	7.25	100.00	0.00	7.25	100.00	0.00
Baa9	7.00	100.00	0.00	7.00	100.00	0.00	7.00	100.00	0.00
Baa10	6.75	100.00	0.00	6.75	100.00	0.00	6.75	100.00	0.00
Baa11	6.50	100.00	0.00	6.50	100.00	0.00	6.50	100.00	0.00
Baa12	6.25	100.00	0.00	6.25	100.00	0.00	6.25	100.00	0.00
Baa13	6.00	100.00	0.00	6.00	100.00	0.00	6.00	100.00	0.00
Baa14	5.75	100.00	0.00	5.75	100.00	0.00	5.75	100.00	0.00
Baa15	5.50	100.00	0.00	5.50	100.00	0.00	5.50	100.00	0.00
Baa16	5.25	100.00	0.00	5.25	100.00				



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T O W A R D S ► 2 0 0 0 ►

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Paul Betts previews an important test for the French Government's sell-off programme
CGE shapes up to challenge foreign rivals

MR PIERRE SUARD suggested at the weekend that he could provide Mrs Thatcher with a few tips on how to run an election campaign. Preparing for privatisation of Compagnie Generale d'Electricite (CGE) has been like running a high-stakes election campaign, said the chairman of the large French nationalised telecommunications and heavy engineering group.

Even in the executive jet taking him to London for a privatisation roadshow, Mr Suard could not resist trying to sell a few shares of his company to the air hostesses.

From the beginning, the flotation of CGE has been widely regarded as the most important privatisation to date in the French Government's state sell-off programme, not only from a financial standpoint but also from an industrial point of view.

At the same time, the CGE flotation which starts today with 32.6m shares at FF 290 (\$48.90) each on offer will have a major impact on the success of the Government's future privatisation calendar as well as for CGE itself.

"Privatisation will once again equip the group with the similar weapons of its main international rivals to compete in an increasingly tough international environment," said Mr Suard. "Like our competitors we will now once again have access to the financial markets and we will also rid ourselves of government intervention."

Unlike the previous privatisations in the French Government's programme, the CGE operation has been linked with a record new share issue for the group to strengthen its balance sheet and help it absorb the recent takeover of ITT's telecommunications assets.

While the state sell-off is expected to raise about FF 6bn for the Government, the new share issue will provide CGE separately with FF 8.3bn in fresh equity funds. Moreover, FF 8.1bn worth of existing non-voting shares will also be converted on a 1:10 basis into new voting shares which will further strengthen CGE's balance sheet.

"After the capital increase and the conversion of non-voting shares, the group's equity capital will double from FF 8.5bn to FF 17bn. This will give us a balance sheet more in line with a major competitor like Siemens," explained Mr Pierre Bilger, CGE's execu-

tive vice-president and finance director.

The past few years have seen a major transformation in CGE's industrial weight and structure following a series of major acquisitions and mergers. In its telecommunications, business communications and electronic sectors, which now accounts for 60 per cent of its total sales — estimated at FF 132bn this year — CGE's Alcatel subsidiary first absorbed the telecommunications assets of the French Thomson group and then took control this year of ITT's telecommunications operations, making it the world's second largest telecommunications group after American Telephone & Telegraph.

In the energy and heavy engineering sector, it acquired a 40 per cent stake in Framatome, the leading French nuclear plant manufacturer, and Jeumont-Schneider's railway business to make it the world's largest manufacturer of railway engines.

Although these acquisitions — largely engineered by Mr Georges Peberreau, Mr Suard's predecessor — have enabled CGE to gain what it regards as the critical size to compete in its main industrial sectors, the group has increasingly needed access to financial markets to bolster its balance sheet and give it the flexibility to compete internationally.

Indeed, the last few years have seen a dramatic internationalisation of CGE's businesses. Once regarded as "an arsenal of French government orders" relying heavily on the French telecommunications authority for its telecommunications orders and on Electricite de France, the state electricity utility, and the SNCF state railways for its capital goods orders, CGE has now had to



Pierre Suard (right) and Georges Peberreau — a "nuts and bolts" manager took over from a virtuoso dealmaker

branch out and seek new markets.

"Today France accounts for about 40 per cent of our total sales and the state monopolies for only 40 per cent of our French sales, in other words for only about 15 per cent of our total turnover, while 60 per cent of our business is now done outside France," said Mr Suard.

Moreover, CGE now faces particularly strong international competition since its activities are focused in either mature markets like heavy engineering, nuclear and shipbuilding, or in growth markets like telecommunications where competition is intense. Mr Suard is now also seeking to develop and expand a third core business sector for CGE in industrial services.

The spread of CGE's businesses in mature or highly competitive growth sectors has given the CGE privatisation coupled

with the size of the financial operation a more speculative character than the previous French privatisations, including those of the Paribas and CCF banking groups and the Saint Gobain glass and pipes concern.

The acquisition of the ITT telecommunications businesses and of the 40 per cent stake in Framatome have raised inevitable doubts from investors throughout the CGE privatisation campaign. But Mr Suard appears to have convinced the financial community that the technical problems which bedevilled ITT's System 12 digital switch have now been overcome.

Warburg Securities, for example, says in a long report on CGE that "in our view, the initial problems with System 12 have now been solved." Mr Suard adds that he expects the new Alcatel telecommunications group to install 2.5m System 12

lines this year, which would be more than the 1.5m lines of the French 2-10 digital switch due to be delivered this year. Alcatel has also made FF 7.2bn in provisions for restructuring and other costs to cover the ITT merger.

As for Framatome and the nuclear business, Mr Suard acknowledges that orders for new nuclear plants are drying up. However, he argues that Framatome still has orders to complete and that it is likely to benefit in the next few years from a growing replacement market for nuclear reactors.

All this makes CGE confident that it will sustain higher earnings in the next few years. After reporting profits of FF 1.7bn last year, earnings are expected to rise to about FF 2.8bn this year. Mr Bilger says the group's net margin this year should be at least 2.1 per cent of sales of about FF 132bn or more.

Although Mr Suard says that CGE remains on the look out to seize possible new acquisition opportunities, the next few years are likely to involve a period of consolidation as the group absorbs and restructures its recent spate of acquisitions.

Indeed, the appointment of Mr Suard himself last summer already reflected this new phase. While his predecessor Mr Peberreau had been essentially a virtuoso international dealmaker, the French nicknamed "the Florentine," Mr Suard has the reputation of a "nuts and bolts" industrial manager.

Well-known among his peers for the way he built up CGE's Cable de Lyon subsidiary, Mr Suard was virtually unknown by the general public before he took over as chairman. However, the privatisation campaign has thrown the spotlight on this typically French industrial patron who seems to have started taking an amused taste for the cameras and relaxed in his new more public role.

Mr Suard will be all the more relaxed after the flotation of CGE has got off the ground today. But all the indications suggest that neither he nor the French Government need worry very much. Demand in France for CGE shares is expected to be strong and the 20 per cent of the offer reserved for foreign investors is already several times oversubscribed. Grey market quotations in London on Friday were hovering around FF 370, already suggesting a healthy gain on the FF 290 offer price.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount \$	Maturity	Av. life years	Coupon %	Price	Book Number	Offer yield %
U.S. DOLLARS							
Yamaha Transport T	200	1992	5	2	100	Nikko Seco (Europe)	2.900
Faxel 2 (a) T	330	1993	6	3 1/4	100	Beaumont Paribas	5.000
Hyundai Res. & Dev. (a) T	170m	1992	5	5	100	St. Gervais, L.R.	2.750
McDonald's Corp. T	85	1994	7	2 1/4	100	Morgan Stanley	—
Alcatel T	150	2002	15	(6-8 1/4)	100	CSFB	—
Alcatel T	100	1992	5	(2)	100	Nomura Int.	2.250
Soprema International T	70	1992	5	2 1/4	100	Nomura Int.	—
CANADIAN DOLLARS							
Ford Credit Canada T	100	1992	5	10	101 1/4	Goldman Sachs	9.705
Ville de Montreal T	50	1992	5	10	101 1/4	Bank of Montreal	9.544
AUSTRALIAN DOLLARS							
State of S. Australia (a) T	50	1992	5	14 1/2	101 1/4	SBIC	—
South Wales Power T	75	1993	2	14 1/4	101 1/4	CSFB	12.148
Queensland Power T	35	1993	2 1/4	14	101 1/4	Bay, Hyatt's and W. B.	12.211
Queensland Power T	35	1993	2 1/4	14	101 1/4	Cheney Royal Bank	12.854
Queensland Power T	75	1994	2	13 1/4	101 1/4	Henderson Bank	12.358
Queensland Power T	50	1992	2	14 1/4	101 1/4	Commerzbank	12.288
Queensland Power T	75	1993	2	14 1/4	101 1/4	Deutsche Bank	12.248
D-MARKS							
ADG T	200	1997	10	6	100	Deutsche Bank	8.900
SWISS FRACS							
Telecom Suisse T	100	1994	—	1	100	SBIC	1.000
Telecom Suisse T	10	1995	—	0 1/4	100	Fininvest	0.375
Telecom Suisse T	50	1997	—	(2 1/4)	100	Shearson's Union Amer.	—
Telecom Suisse T	50	1992	—	1/2	100	SBIC	0.500
Telecom Suisse T	100	1992	—	1/2	100	CSFB	4.375
Telecom Suisse T	100	1992	—	1/2	100	SBIC	—
Telecom Suisse T	100	1997	—	4 1/4	100 1/4	SBIC	4.583
Telecom Suisse T	100	1999	—	4 1/4	100	Cliford Inc. Bank	4.750
STERLING							
Wynne Credit (Fin.) T	50	1992	5	8 1/4	101 1/4	Country N. West/Wygon Cr.	8.742
Wynne Credit (Fin.) T	150	2007	20	8 1/4	100 1/4	Warburg Securities	8.318
Wynne Credit (Fin.) T	50	1992	5	8 1/4	101 1/4	Morgan Grenfell	—
KUWAIT DINEES							
Kuwait T	20	1994	7	7 1/4	100	Net. Bank of Kuwait	7.500
YEN							
Yen Credit T	100	1994	7	4 1/4	100	Salomon Brothers	4.825
Yen Credit T	50	1998	2	(a)	100	Nomura Int.	—
Yen Credit T	100	1992	5	7 1/4	101 1/4	Nippon European Bk	7.042
YEN							
Yen Credit T	100	1992	5	4 1/4	101 1/4	IBJ Int.	4.342
Yen Credit T	150	1994	7	4 1/4	101 1/4	IBJ Int.	4.351
Yen Credit T	100	1997	19	4 1/4	101 1/4	Fuji Int. Finance	4.581
Yen Credit T	200	1991	4	4 1/4	101 1/4	Bank of Tokyo Int.	3.782
Yen Credit T	250	1992	5	4 1/4	101 1/4	IBJ Int.	3.859
Yen Credit T	100	1992	5	4 1/4	101 1/4	IBJ Int.	4.201

* Not yet placed. † First term. ** Private placement. † Floating rate notes. † With equity warrants. † With gold warrants. † Currency: 100 Yen = 1000 Yen. (a) Convertible preference shares. (b) Coupon 14 1/4% first year, reduced annually. (c) 7 1/4% over 3m Libor. (d) Exchangeable into gold. (e) Linked to KZS. (f) Coupon: years 1-3, 8 1/4%; years 4-5, 17 1/4% up over 3m Libor. (g) With bond warrants. Notes: Yields are calculated on ABB basis.

Minebea advances despite strong yen

BY YOKO SHIBATA IN TOKYO

MINEBEA, the world's largest maker of miniature ball bearings, overcame the yen's steep appreciation in its first half ended March 1987, raising pre-tax profits 4.9 per cent to ¥4.16m (\$29m). Net profits were ¥2.22m, up 19 per cent. Minebea, which depends on exports for nearly 40 per cent of its profits, staved off the negative impact of the yen's rise by shifting

more of its production to overseas markets. Overseas production, mainly in Thailand and Singapore, accounted for 97 per cent of Minebea's bearing output, the mainstay of the company. During the past year, unit prices of bearing declined, but the fall was covered by higher volume sales, which led to an increase of 4 per cent in the sales by value during

the six months. Sales of electronic equipment and components showed a strong 27 per cent growth, surpassing bearings sales for the first time. Overall sales rose 18.5 per cent to ¥81.61bn. For the full fiscal year ending September 1987, pre-tax profits are projected at ¥9bn, up 4.7 per cent, on turnover of ¥125bn, up 10.5 per cent from the previous year.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

28th April, 1987



TOSHIBA INTERNATIONAL FINANCE (NETHERLANDS) B.V.

U.S.\$40,000,000

7 3/8 per cent. Guaranteed Bonds 1992

Unconditionally and irrevocably guaranteed by

TOSHIBA CORPORATION

Issue Price 101 1/2 per cent.

Nomura International Limited
Algemene Bank Nederland N.V.
Kleinwort Benson Limited
Mitsui Finance International Limited
Smith Barney, Harris Upham & Co. Incorporated
Chemical Bank International Group
Daiwa Europe Limited
Merrill Lynch Capital Markets
Mitsui Trust International Limited

BFCE
BANQUE FRANÇAISE
DU COMMERCE EXTERIEUR

Yen 17,000,000,000

4 3/8 per cent. Notes due 1992

Unconditionally guaranteed by

The Republic of France

Nippon Credit International Limited

Mitsubishi Trust International Limited
Bank of Tokyo International Limited
Banque Bruxelles Lambert S.A.
Banque Paribas Capital Markets Limited
Crédit Lyonnais
Dresdner Bank Aktiengesellschaft
LTCB International Limited
Mitsui Finance International Limited
Morgan Stanley International
Shearson Lehman Brothers International
Sumitomo Finance International
Swiss Bank Corporation International Limited
S.G. Warburg Securities
Nomura International Limited
Bankers Trust International Limited
Banque Nationale de Paris
Caisse des Dépôts et Consignations
Credit Suisse First Boston Limited
IBJ International Limited
Mitsubishi Finance International Limited
Morgan Guaranty Ltd
Salomon Brothers International Limited
Société Générale
Sumitomo Trust International Limited
Union Bank of Switzerland (Securities) Limited
Yamaichi International (Europe) Limited
Yasuda Trust Europe Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

30th April, 1987



Nippon Shokubai Kagaku Kogyo Co., Ltd.
(Nippon Shokubai Kagaku Kogyo Kabushiki Kaisha)

U.S.\$80,000,000
2 per cent. Guaranteed Bonds due 1992

with

Warrants

to subscribe for shares of common stock of Nippon Shokubai Kagaku Kogyo Co., Ltd.

The Bonds will be unconditionally and irrevocably guaranteed by

The Daiwa Bank, Limited

Issue Price 100 per cent.

Nomura International Limited

Daiwa Bank Capital (Management Limited)

IBJ International Limited

Banca Commerciale Italiana

Bankers Trust International Limited

Baring Brothers & Co., Limited

Citicorp Investment Bank Limited

Credit Suisse First Boston Limited

Robert Fleming & Co. Limited

Kleinwort Benson Limited

KOKUSAI Europe Limited

Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)

Lazard Frères et Cie.

Morgan Stanley International

Shearson Lehman Brothers International

Union Bank of Switzerland (Securities) Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

7th May, 1987



THE SANKEI BUILDING CO., LTD.
(Kabushiki Kaisha Sankei Building)

U.S.\$60,000,000
2½ per cent. Guaranteed Bonds due 1992

with

Warrants

to subscribe for shares of common stock of The Sankei Building Co., Ltd.

The Bonds will be unconditionally and irrevocably guaranteed by

The Sumitomo Bank, Limited

Issue Price 100 per cent.

Nomura International Limited

Fuji International Finance Limited

Daiwa Europe Limited

Banque Nationale de Paris

Chase Investment Bank

Credit Suisse First Boston Limited

DKB International Limited

Kidder, Peabody International Limited

Kleinwort Benson Limited

Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)

Merrill Lynch Capital Markets

Mitsubishi Finance International Limited

Morgan Stanley International

J. Henry Schroder Wagg & Co. Limited

Société Générale

Sumitomo Finance International

Swiss Bank Corporation International Limited

Yamaichi International (Europe) Limited

Yamatane Securities (Europe) Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

7th May, 1987



HOKURIKU ELECTRIC INDUSTRY CO., LTD.
(Hokuriku Denki Kogyo Kabushiki Kaisha)

U.S.\$35,000,000
2½ per cent. Guaranteed Bonds 1992

unconditionally and irrevocably guaranteed by

The Hokuriku Bank, Ltd.

with

Warrants

to subscribe for shares of common stock of Hokuriku Electric Industry Co., Ltd.

Issue Price 100 per cent.

Nomura International Limited

Prudential-Bache Securities International

Banque Nationale de Paris

DKB International Limited

Fuji International Finance Limited

Hokuriku Finance (H.K.) Limited

Kleinwort Benson Limited

KOKUSAI Europe Limited

Morgan Grenfell & Co. Limited

Morgan Stanley International

Salomon Brothers International Limited

Sanyo International Limited

J. Henry Schroder Wagg & Co. Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

7th May, 1987



NTN TOYO BEARING CO., LTD.
(NTN Toyo Bearing Kabushiki Kaisha)

U.S.\$100,000,000
8¾ per cent. Guaranteed Bonds due 1992

Unconditionally and irrevocably guaranteed by

The Sanwa Bank, Limited

Issue Price: 101.5 per cent.

Nomura International Limited

Banque Paribas Capital Markets Limited

The Nikko Securities Co., (Europe) Ltd.

Sanwa International Limited

Swiss Bank Corporation International Limited

Bank of Tokyo International Limited

Crédit Lyonnais

Daiwa Europe Limited

Dresdner Bank Aktiengesellschaft

LTCB International Limited

Morgan Grenfell & Co. Limited

J. Henry Schroder Wagg & Co. Limited

Toyo Trust International Limited

S. G. Warburg Securities

Yamaichi International (Europe) Limited

UK COMPANY NEWS

Nikki Tait on Tesco's bid for Hillards, which reaches a finale this week

Yorkshire stoicism versus national muscle

EASTER MONDAY. Peter Hartley, chairman of Yorkshire supermarket group, Hillards, decides to check bank holiday trade at one of his stores.

Prey to its retailing charms, he comes away with £80-worth of gardening equipment. Mrs Hartley, not untypically, is less than enraptured.

Which seems about the only occasion when the staunch loyalty of the Hillards family, whose near-30 per cent hostile stake has bedevilled predator Tesco throughout its £223m bid, may have slipped an inch. If Tesco's case is correct, the chairman was doing just what Hillards needs.

The battle, which heads for its finale this Friday, has polarised in two arguments. From the Hillards camp comes the vigorous assertion that most aspects of a modern retailing infrastructure—specialist counters, central deliveries, electronic point-of-sale systems, and eventually scanning—are either in place, or on their way shortly.

And that, says the Yorkshire-based chain, is poised to produce spectacular profit advances. After £7.7m pre-tax in 1984-85, and £8.5m in 1985-86, the group has estimated £10.3m in the year to May 2 1987, and in the year to May 2 1987, and to some raised eyebrows—not

less than £15m in the current year.

Tesco does not quarrel with the strategy; merely suggests that its larger resources would speed developments. Instead, it rests its case on volume. Can an independent Hillards, faced with stepped-up competition from Sainsbury, Asda, and William Morrison in its Yorkshire heartland, tempt enough shoppers through its doors with sufficiently open purses?

What everyone admits is the desirability of Hillards' actual store locations. Of its 40 outlets, 13 top 25,000 sq ft; 20 are between 10,000 and 25,000; and only seven are under 10,000. This makes the average store size a touch under 20,000 sq ft.—in line with Tesco's own figure and, within the food retailing sector, beaten only by Asda and Morrison. For Tesco, with only scatter-gun representation in Yorkshire, the appeal is obvious.

Once inside, there is a good deal to support Hillards' case. Service counters in the form of in-store bakeries and delicatessens are commonplace; seven outlets provide petrol pumps.

Longer-term, Hartley holds out a central distribution programme which will be aided by the building of a new warehouse, scheduled to open in



1988. At present, most stores get deliveries weekly, with all the attendant problems for stocking and wasted space. Come 1988/9, he estimates some £2m-worth of savings.

Even so, no amount of Yorkshire stoicism can conceal the recent lack of volume growth. During 1984/5, according to brokers L. Messel, sales volume in like-for-like stores fell by slightly under 1 per cent; in

1985/6 by over 3 per cent—the only company in the sector to show a decline. Hillards' answer is that the miners' strike hit hard; almost half its stores are in mining areas and one saw volumes fall by as much as 15 per cent. Moreover, it claims that a turn has come in the second half of 1986/7, so volumes for the year from existing stores will be up 3 per cent from new openings.

Nevertheless, the point has been relentlessly exploited by Tesco—secure in knowledge that its own volumes rose 9 per cent in 1986-87, 4 per cent from existing stores and 5 per cent from new openings.

Moreover, the national chain can fairly claim that competition will only get worse. The successful push by Morrisons into Yorkshire is simply spelled out by the AGB figures for Yorkshire market share (see chart). And planning consents have been granted within five miles of 28 Hillards stores.

Perhaps the clincher for Tesco is that its greater resources offer immediate answers. If successful by Friday, the larger chain plans an instant £5m refit.

Longer term, Tesco talks of spending some £18m on further refurbishment and will clearly save on head office expenses. The net effect, it argues, will be to raise the sales/sq ft in Hillards stores from £7.80 closer to Tesco's own figure—£8.60 in 1985-86 and £10.20 in 1986-87, now that Victor Value and Tesco Stores Ireland have been shed.

If the industrial case is persuasive, what about the maverick? In all fairness, Tesco cannot be accused of underpaying. Its shares have risen strongly over the past week but at 330p they value each Hillards at £60.5p. That suggests an exit p/e of 33 on a fully-taxed, fully-diluted basis for 1986-87 and a 33 times multiple on the current year. Even the 942.6p cash alternative gives 29 and 30 respectively—

more than comparable with the Fine Fare and Safeway exit prices. The plus for Tesco is that there should still be no earnings dilution in 1987-88, even before cost-savings.

With the 10 per cent held in family trusts still firm, and some 200 small shareholders backing him, Mr Hartley has amassed a formidable 30 per cent block. Few in the City expect Tesco to let it slip, despite the current trend against hostile bids—but given the inevitable "dead" votes, the outcome must be close.

Assuming the national chain does get home, is Hillards further evidence that regional chains are a dying breed? "They are in an increasingly difficult position," comments John Richards, at brokers Wood Mackenzie. "All the regionals have reached a stage where their ambitions go beyond their resources."

Tesco, surprisingly, disagreed. "It is the end of weak brands, not regionals," suggests David Reid, the group's finance director—pointing to Safeway and Waitrose which, if scarcely local companies in the Hillards sense, are non-national in coverage.

But then the former has gone to Argyl and the latter is backed by John Lewis's resources. So small comfort therefor the dwindling band.

BOARD MEETINGS

TODAY	IRISH DISTILLERS	May 20
Intervest: Sifton (Peroy), Crayford	Trillion	May 12
Concessions Group, and (Helen), Lee	Warren Selection	May 12
Cooper, Lilley (P. J. C.), Seimel Horn	British & American Film Hides	May 12
U.S. United Friendly Insurance, UTC	Coron Books	May 14
Finance: Citicorp, Concostric	Countryside	May 27
Diploma, TMD Advertising	Fine Art Developments	May 19
FUTURE DATES	Garmore American Securities	May 15
Associated Energy Services	Glebe	May 12
Cromlech	Harwell	May 20
Holmes Merchant	Harrold	May 26
	Headcut	May 16

NOTICE TO BONDHOLDERS

THE SEIYU LTD.

(Formerly "The Seiyu Store, Ltd.")

U.S.\$20,000,000 8% Convertible Bonds Due 1996 (the "Securities")

Notice is hereby given pursuant to Clause 7(b) of the Trust Deed dated January 6, 1981 in connection with the Securities, the Board of Directors of The Seiyu Ltd. (the "Company") approved by resolution of its meeting held on April 15, 1987 the merger agreement (the "Merger Agreement") between the Company and The Kansai Seiyu Ltd. ("Kansai Seiyu"), a consolidated subsidiary of the Company, concerning the merger of Kansai Seiyu by the Company, and that the Company entered into the Merger Agreement with Kansai Seiyu on April 15, 1987. Certain information with respect to the proposed merger is set out below.

It is expected that on May 26, 1987 a General Meeting of Shareholders of the Company will be held at which the Merger Agreement will be submitted for approval by the Shareholders. It is expected that if the Merger Agreement is approved, the assets of Kansai Seiyu will be transferred to the Company on March 1, 1988 and the Registration of the Companies Act will be completed by the end of the first half of June, 1988. The basis of the Merger will be the issue of 0.5 shares of the Company for each one share of Kansai Seiyu. However, as the par value of the shares of Kansai Seiyu is Yen 500 per share, five shares of the Company will be allocated for each share of Kansai Seiyu, provided that no new shares will be allocated to the Company for 600,000 shares of Kansai Seiyu owned by the Company.

By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent
May 11, 1987

NOTICE OF PREPAYMENT

THE SANWA BANK, LIMITED

(Incorporated with limited liability in Japan)

US\$40,000,000

Callable Negotiable Floating Rate Dollar Certificate of Deposit

Issued on 18th June, 1984, maturing 20th June, 1988, callable in June, 1987.

Notice is hereby given in accordance with the conditions of the above Certificate of Deposit (the "Certificate"), as printed on the reverse of the Certificate, that The Sanwa Bank, Limited will prepare all the outstanding Certificates on 18th June, 1987 (the "Prepayment Date") at their principal amount.

Payment of the principal amount, together with accrued interest to the Prepayment Date, will be made on the Prepayment Date against presentation and surrender of the Certificate at the London Branch of the Bank at Commercial Union Building, 1 Undershaft, London, EC3A 5LA.

Interest will cease to accrue on the Certificate on the Prepayment Date.

CHEMICAL BANK INTERNATIONAL LIMITED

as Agent Bank

Dated: 11th May, 1987

Interest Rate Change

Allied Irish Banks plc announces that with effect from close of business on 11th May 1987, its Base Rate will be reduced from 9½% to 9% p.a.

Allied Irish Bank

Head Office - Britain: 64/66 Coleman Street, London EC2R 5AL. Tel: 01-588 0691 and branches throughout the country.

This announcement appears as a matter of record only.

Eurocommercial Paper Program



Dealers

Citicorp Investment Bank Limited
Morgan Stanley International
Swiss Bank Corporation International Limited

May 1987

Brixton Estate

International investors in commercial property

Extracts from the Statement by the Chairman, Harry Axton

I am pleased to report that 1986 was another year of substantial progress for the Group.

The improvement in the warehouse and industrial sector has continued and this, coupled with the increase in office rental levels in the City and Holborn has led to good rental growth. The Group's property investments in the United Kingdom remain concentrated in Central London and the western half of the Home Counties, two areas that have recently experienced substantial improvement in rental levels.

The value of the current development programme is in excess of £100 million, the greater part of it being in the United Kingdom. An increasingly important part of our activities is the redevelopment or upgrading of existing properties within the portfolio.

HIGHLIGHTS OF 1986

- 17.6% increase in net rental income to £22,850,000.
- 13.7% increase in profit after tax to £8,054,000.
- Proposed final dividend of 3.90p per ordinary share making an increase of 15.0% for the year.
- Value of investment properties - £344 million.
- 14.2% increase in net assets to £185 million.

The Annual General Meeting of the Company will be held in London on 2nd June 1987.

If you would like a copy of the Annual Report and Accounts 1986, complete this coupon and send it to The Secretary, Brixton Estate plc, 22-24 By Place, London EC1N 6TQ.

Name _____

Address _____

FT 11/5

Leather union against Hillsdown

By Richard Tomkins

THE trade union representing workers in the leather industry has made a strongly-worded plea for Hillsdown's attempted takeover of Garner Booth, the leather manufacturer, to be referred to the Monopolies and Mergers Commission.

Hillsdown, the acquisitive food-to-furniture group, is battling for Garner Booth against Pittard, another leather manufacturer. On Friday, both contenders increased their bids, and Garner Booth's board decided to recommend the Hillsdown offer.

However, Mr Eugene Mallon, assistant general secretary of the National Union of Footwear, Leather and Allied Trades, has written to the Trade and Industry Secretary voicing his union's strong support for the Pittard merger and its opposition to the Hillsdown bid.

He says Hillsdown's intervention pays "scant regard" to the long-term interests of the industry and his members. "If the Hillsdown bid succeeds, the conglomerate that will result will have a disproportionate influence on the industry, with potentially serious results for Pittard."

He says a merger between Pittard and Garner Booth would combine the companies' expertise and secure their success in a highly competitive world market. "Without this merger, the leather industry faces a bleak future."

FT Share Information

The following securities have been added to the Share Information Service:

Admiral Computing (Secur):
(Electricals); Forward Group
(Electricals); Galactic Resources
(Canadian); Steel and Mines
(Mines, Misc.); Land Securities
(Investment); 2025 (Property);
Nationwide Bldg. Soc. 94 Bonds
12/4/88 (Loans); Nationwide
Bldg. Soc. 94 Bonds 5/5/88
(Loans); Pan Pacific Petroleum
N.L. (Oil and Gas); Perkins (J.)
Meats (Foods).

United News eyes Extel's war of words with Ladbroke

BY CLAY HARRIS

United Newspapers, which has launched a \$250m hostile takeover bid for Extel, is watching with concern the financial and sports information group's war of words with Ladbroke Group, the betting, hotels and retailing company.

Samuel Montagu, advising the publishing group in its bid for Extel, emphasised yesterday that United's role was that of an outsider but it was paying close attention to developments. Ladbroke on Friday issued a writ in the High Court seeking an injunction to prevent Extel from disseminating six specific statements about it. Extel strongly denied that it had spread any of the stories and said it would strenuously defend any legal action brought by Ladbroke.

Ladbroke's proceedings followed sharp falls in its share price after a flood of stock market rumours last week. Separately, recent dealings in

Ladbroke shares are being investigated by the Stock Exchange at the company's request.

One subject specified in the Ladbroke writ related to its leading role in Satellite Information Services, the company established to televise race meetings to betting shops.

Leaving aside the questions at issue in the writ, Montagu said that the commercial challenge which SIS posed to Extel's existing racing services undermined United's argument that Extel needed a change in control.

United, publisher of the Express newspapers, regional titles and magazines including Punch, has not yet issued its formal offer document for Extel. At United's closing price of 477p on Friday, its share offer was worth almost precisely Extel's market price of 482p.

Guinness Peat sets up asset management venture

Guinness Peat has set up a company called Guinness Flight Global Asset Management to handle its currency and international liquidity management, private client and offshore business. It will be owned 80 per cent by Guinness Peat and 20 per cent by its existing senior executives, led by Mr Tim Guinness and Mr Howard Flight.

Total funds under management of the new company exceed £1.2bn, including offshore funds of \$483m and managed currency funds totalling \$298m.

Bancomer

Sociedad Nacional de Crédito

(Incorporated in the United Mexican States with limited liability)

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Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six month interest period, May 12, 1987 to November 12, 1987 the Notes will carry an interest rate of 7½% per annum. On November 12, 1987 interest of US\$17,875 will be due per US\$3,000 Note against coupon No. 11.

Agent Bank

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1. Next applicable interest rate: 7½% per annum
2. Interest payable on next interest payment date: US\$ 398.72 per US\$ 10,000.00 nominal
3. Next interest payment date: November 12, 1987

May 8, 1987

BA Asia Limited
Reference Agent

US\$100,000,000
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Issued by The Law Debenture Trust Corporation plc evidencing entitlement to payment of principal and interest on deposits with



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London Branch

Notice is hereby given that the Rate of Interest for Coupon No. 8 has been fixed at 7½% p.a. and that the interest payable on the relevant Interest Payment Date, August 11, 1987 in respect of US\$10,000 nominal of the Receipts will be US\$191.67 and in respect of US\$250,000 nominal of the Receipts will be US\$4,791.67.

May 11, 1987, London
By: Citibank, N.A. (CSSI Dept), Agent Bank

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Other issuers for which Bankers Trust has carried out financings at rates below LIBOR include Philip Morris, for which we were co-book runner on a (US)\$100 million three-year, fixed-rate Eurobond issue that was swapped into floating rate dollars. The issue was part of a refinancing program related to Philip Morris' acquisition of General Foods.

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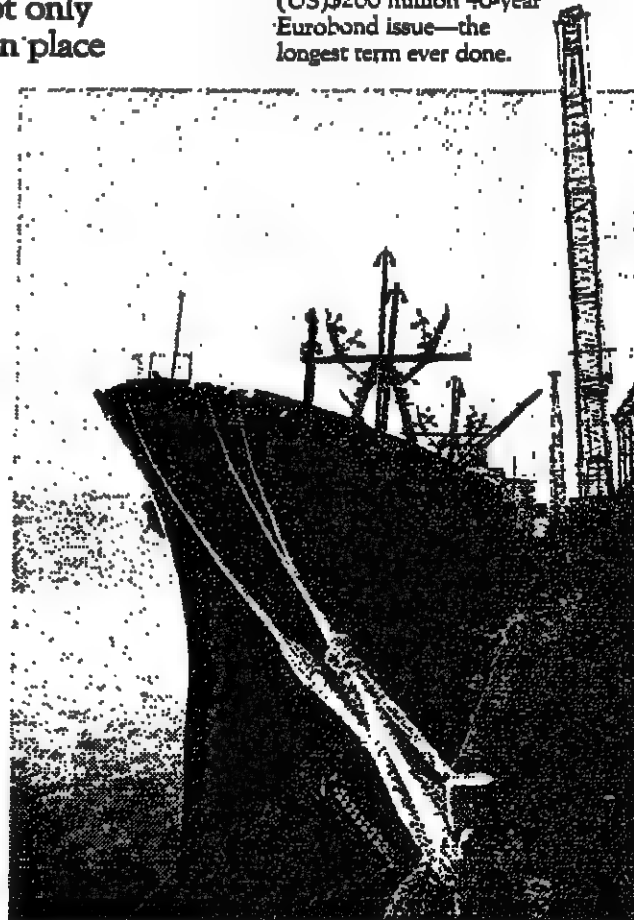
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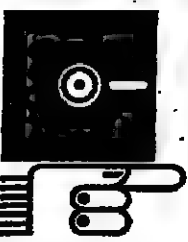
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FINANCIAL TIMES SURVEY



As computer hardware prices have fallen, the software has become more expensive. But from the suppliers' viewpoint there are increasing pressures to deliver software systems on time, within budget and to the clients' satisfaction, as Philip Manchester reports here.

Choices now more critical

THE COMPUTER software industry is in the course of one of those broad changes of direction which have characterised this most volatile and unpredictable of industries since its early days.

It is moving from a position where the received wisdom was that the "package," generalised software which could be sold to a wide spectrum of customers without modification, held all the advantages in terms of cost, ease and speed of installation. Now, as the real cost of computing has decreased and the power of system development software has increased, the emphasis is moving in the other direction — which is not to say that the package industry is threatened with collapse, but there is a growing belief that it is becoming cost-effective again to develop software for specific applications using a whole raft of new development tools, programming environments, fourth generation languages, data dictionaries and the like.

Europe and the UK should benefit from this trend. Well behind the US in the supply of packaged software (the US has over 50 per cent of the world packages market), they should be able to make a good living from the supply of custom and semi-custom software. A recent industry analysis by the management consultancy Coopers & Lybrand confirms this view.

The evidence lies in the increasing percentage of projects which are being completed on time, within budget and to the clients' satisfaction.

The eventually trouble-free transition from old to new computer systems in the City of London during the "Big Bang" last winter, shows how much better now the software industry is at doing its job. There were problems — but they were mainly trivial and quickly resolved, the problem which received the most publicity was fitting the new systems with existing ones.

There is good reason for the success of large-scale software projects like those taken on by the large financial institutions in the Big Bang. Software companies now receive much more attention than previously, especially as the price of software, compared with total system cost, has risen. As a result, the choice of software has become more critical and the companies which produce it have been under pressure to perform better.

While hardware prices have fallen, and software has grown more expensive, there has been increased pressure on software companies to deliver projects on time and within budget. The result is that software suppliers

have had to look more closely at how they manage development projects, as well as looking at the technology of building software systems.

At the same time, software has become big business. As well as the star performers such as the US personal computer software suppliers, Microsoft, Lotus and Ashton-Tate, the European software developers are doing well, too.

According to International Data Corporation (IDC), the market for software and services in Europe is growing at an average rate of 22% a year, with the UK growth forecast to reach 23% this year.

Since 1984, the European market for software and related services has nearly doubled in size from about \$13bn to an estimated \$23bn this year. By 1990, IDC expects the market to almost double again to more than \$42bn.

The market is split into five categories: packaged software; custom-built software and consultancy; training; facilities management; and processing services. The first two categories, which represent the bulk of software activities in Europe, account for nearly two-thirds of this revenue and they are also the areas of largest growth.

In the UK, for example, packaged software represents about 41% of the total market, worth \$3.8bn this year, according to IDC. Custom-built software

accounts for a further 28%.

To meet the demands of this market, the software industry has had to turn its back on its amateur roots and become more professional. There was a time when software development deadlines were often little more than guesswork, so that users expected software to be late.

But in the past five years, the combination of external pressure from users and advances in development technology have produced an increasing number of successful projects. The software systems that were installed during the Big Bang are good examples.

Mr Geoff Holmes, a director of the UK software developer, Systems Designers (SD), cites the



Seeking finger-tip solutions, using one of the most valuable assets of any company — information. The operator above is accessing a corporate data base, using a Fusion Information management system from Pannosoft, California.

Software in Business

Software applications: ever-widening scope in industry and commerce	2	Profile: Ashton Tate, a seven-year success story	4
Desktop publishing: a new era in graphics and charts	3	Building software from scratch or buying packages: key questions facing users	5
Packaged software and the impact of the 32-bit microprocessor: a big impact on personal computing	3	Market shares and growth of computing services	5
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ple that they should invest "up-front" in the right tools and methods. But there is no substitute for a good reference account. The Bae fighter project has proved to be an excellent reference project," he says.

Many customers have an incorrect view of the software development process, suggests Mr Holmes. They see programming "as just one programmer and one computer."

"But there is no such thing as 'the programmer'—there are teams of programmers working together. Most software these days involves a lot of different technology—database, communications, operating systems—and you need many skills and disciplines," he adds. "You also need the management techniques to bring all those skills and disciplines together and make them work."

He emphasises the importance of investing in the design phase of software development with a story from a large manufacturer: when visiting the manufacturer's factory, he was amazed to see each individual chip being tested before it was released to the production line. He asked why the chips were not merely sampled and was told that, for every cent spent on checking the chips, the manufacturer estimated that it saved \$100 in putting right problems caused by faulty chips once the product was shipped.

Mr Gerry Goldman, managing director of the software supplier Cullinet UK, agrees that the cost of putting right the design faults in software can be expensive. But Cullinet wants to take the automation of the software development process even further. The company built its reputation on database software technology with its IDMS/R database for large IBM computers. Recently, it started to supply tools to help build software and to install it.

"We asked ourselves the question: What is the cost of implementing a system? We found that it could be as much as 80 per cent of the total cost of the project."

"If you include the cost of printing instruction manuals, of training users and of coping with the changes to the system once it is running live, you come up with a large figure," says Mr Goldman.

Cullinet has put together a system called Implementation Workbench, which aims to help reduce this figure.

"We see it as a major opportunity to bring together a set of technologies including project management, on-line tutorial systems and other training technologies."

"The aim is to bring all of the activities at implementation together under a project management system and automate them as far as possible," he explains.

The company originally developed the Implementation Workbench for its own use. It needed a more formal approach to cut the cost of putting in its database products and evolved it over a number of years before it was spotted by one of its customers.

"In the end, our customers began to ask for it," says Mr Goldman.

The evolution of this product typifies a trend towards better management that has helped to improve the software industry's ability to deliver projects on time.

Logica, another major UK software developer, has also evolved internal project management methods which it has started to sell to its customers. Logica, unlike Cullinet, has gained its experience and skill mainly from building large-scale software in government and financial sectors.

Mr Richard Berg of Logica says that the company "has taken professional project management seriously for more years than I can remember."

The importance of software "has grown dramatically in the eyes of the user and the larger software companies have responded to this," he adds. "A public company needs to be efficient and profitable so we are constantly reviewing software engineering technology and management methods."

Logica has developed what Mr Berg calls a "central methodology" which is applied to all of its development projects. But it also allows for what customers might want in the way of tools and methods. He stresses that it is not a dogmatic approach—"It is just a series of quality development tools and a well-defined approach."

Logica recognises that users have their own habits and preferences. Any management method that Logica adopts must be able to cater for this. Furthermore, it makes it much easier to market. Logica's Life Cycle development system is now commercially marketed.

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SOFTWARE IN BUSINESS 2

Software system applications in the motor industry

Making data make more sense

THERE ARE very few motor industry suppliers which have contracts with both General Motors, the world's largest automotive group, and Ford, the second largest. But Alison Associates, a company which specialises in the design of computer software systems for vehicle manufacturers, is among the select few.

Last month, Ford of Britain told its 400 main dealers that it was no longer using its own dealer management system, which has been in use since 1971, in favour of one devised by Alison.

General Motors in the UK, where it uses the Vauxhall, Opel and Bedford names, has been a customer since early 1986. Alison developed for GM now its biggest single customer, a system called Tracker.

Peter Batchelor, marketing director of Vauxhall Motors, points out: "From our point of view it is vital to know what is happening at the retail end. We need to know about dealer profitability, the volumes we are selling. If we don't have profitable dealers, we don't have a shop window from which to sell our products."

"Alison has a small but very professional team who know what dealers want."

GM's previously-recommended computer-based dealer management accounting system attracted fewer than 300 dealers. Already about 500 of GM's 850 UK dealers have signed up for Tracker.

"We were not getting particularly good data from the old system. Alison works to purify the data which makes the output more meaningful," says Mr Batchelor.

"Tracker" has added tremendously to inter-company comparison throughout the GM dealer network. We can compare similar-sized dealers or a national average, or the ten best.

"The system helps GM help the dealer because we are regularly updating dealer trends and changes in the market," says Ian Napier, manager, dealer operations, Ford of Britain, says the system Alison devised for his company will "speed up the process whereby dealers are able to assess their performance against national norms. It will help dealers to react quickly."

ly, to improve their company's business efficiency and we are extremely pleased with it."

Alison is based at Reading, Berkshire, employs about 20 people and last year had a turnover of about £1m. It now has 17 major motor industry clients, ranging alphabetically from Citroen to Volvo, who between them sell eight out of ten new cars in the UK. About 25 per cent of the franchised car dealers in the UK are now Alison's clients.

The key to Alison's current success is an innovative approach to dealer-composite systems.

Chris Bennett, a solicitor who started the company in his garage in 1978, says it has always been his view that computers should be used as tools for management and "unless they can provide management with assistance in the difficult task of daily decision making, they are worthless."

"Individual dealer managers, both at board level and at departmental level, need information and they need it quickly. This problem of communicating information to busy management is not solved by the traditional solution of printing a large volume of numbers on paper."

"Numbers are, of course, always necessary but information on crucial trends and developments can only be effectively communicated via graphics."

So Alison has become expert

in the production of high-volume, laser-printed reports, including integrated line graphs, bar charts and pie charts, which form an integral part of its so-called "Composite System."

Mr Bennett says that by the end of this year Alison will be processing 250,000 sheets a month, all with different graphics and text and he claims that no other organisation is doing the same thing on such a large scale in the UK.

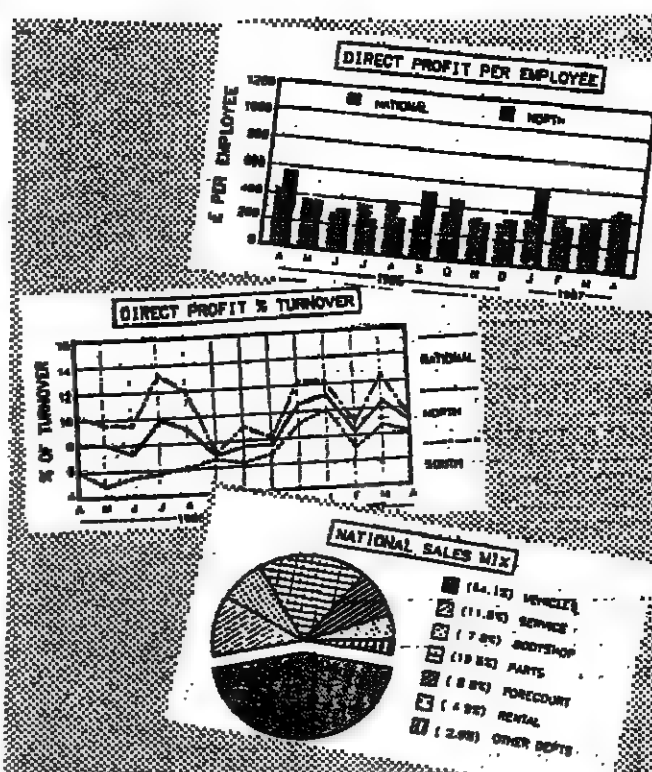
"Composite" provides an important link between the vehicle manufacturer and its dealer network and is based on the regular submission of accounting data by dealerships.

Alison validates and confirms the data to make sure that the "rubbish in rubbish out" syndrome does not take effect. Where apparent anomalies are spotted in a dealer's return, a polite telephone inquiry is made to check. More often than not, says Mr Bennett, the problem arose because the information was entered on the wrong line.

Comprehensive, tailor-made reports are then prepared for dealers and the manufacturer. Mr Bennett says the speed at which this is done helps Alison keep ahead of its rivals from the big computer software bureaux (Alison fought off competition from three international software companies to win the GM contract).



Christopher Bennett, managing director of Alison Associates; and, right, graphic examples of AA's composite and management accounts.



Preparation of a report takes no more than three days following receipt of the information. Ford has asked for the turnaround to be cut to 48 hours for its system.

Dealers receive reports which analyse their performance and provide comparisons with group and national averages, while the manufacturer receives analysis of the performance of

its dealer network by dealership, group, region and nationally. All the reports incorporate graphics which show dealer trends by use of line graphs and bar charts.

Every dealer's monthly accounts are kept for 36 months which gives manufacturers a valuable resource to track trends.

Among other things it has en-

abled "profit clinics" to be established in which several non-competing dealers from the same franchise and from different areas can use reports produced by Alison as a basis for swapping ideas about why one is doing better than another.

This idea has so much appeal that 150 GM dealers signed up for the clinics as soon as they were told about the possibility.

He has some hope that at least one of them will join his client list before long.

Various procedures are used to ensure confidentiality. To take a simple example there is careful screening of the envelopes in which the reports are sent to dealers to make sure that nobody receives a competitor's report.

Mr Bennett suggests "there are not many companies of our size with so many blue-chip customers." The only major manufacturers who are not on the list are the Volkswagen-Audi importer in the UK (a Lorch subsidiary which uses an in-house dealer management accounting system) and Austin Rover.

He has some hope that at least one of them will join his client list before long.

Kenneth Gooding

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COMPAGNIE

Car plant quality control

JAGUAR CARS has awarded a contract in excess of £400,000 to Logica for the development of a quality surveillance centre at its Coventry car assembly plant.

The order is for the first of three phases to be implemented by Logica. It will provide a distributed shopfloor quality system incorporating advanced computer-based speech technology and teletext.

The system will significantly change the way in which a production line inspector works. The traditional clipboard and quality report card will be replaced by a radio headset.

The computer will synthesise human speech to direct the inspection process, and the inspector can report by speaking to the computer. Any faults found will be rapidly fed back to the assembly lines warning workers to take more care in the identified problem area. Sophisticated teletext techniques will be used to direct fault information to trackside TV monitors in those zones originating faults.

By generating rectification notices for any faults found and by managing the whole rectification process, the system will help to prevent any faulty cars from leaving the factory. Historical quality information will be maintained and analyses performed in support of medium and longer term management action.

An ever-widening range of applications



Design Computing's graphics module offers full 3D modelling with a wide range of viewing projections, including orthographic, trimetric and perspective.

This integrated system will use a factory-wide broadband local area network for communication between its constituent hardware—IBM PCs on the shop floor for speech-driven inspection and fault rectification; Logica-developed hardware to support teletext on the assembly line TV monitors; and a DEC microVAX running an ORACLE relational database application in the quality assurance department.

Rapid feedback of fault information and the disciplined management of fault rectification will provide benefits through cost savings from reductions in fault rectification and production disruption and warranty claims.

According to MSA, the last 12 months have seen a sudden rise in the use of packaged software by financial institutions, with deregulation bringing a focus to back-office systems as the market has become more competitive.

MSA claims to be the world's leading supplier of IBM mainframe applications software with over 16,500 systems installed. In 1986, revenues exceeded \$183.5m.

With assistance from their financial advisers, Design Computing went on the venture trail. The search led Design Computing to Prelude Technology Investments, a venture capital organisation, based in Cambridge.

Keith Padbury, one of the co-founders of Prelude, comments: "We are more than just a cash injector. We all have experience of running an expanding business in the technological sector and have either technology or financial backgrounds. This means we are able to provide commercial as well as financial direction."

Prelude agreed with Design Computing to set about finding a high calibre marketing team with a sound knowledge of CAD and the European marketplace—qualifications necessary for the proposed European distribution network.

The necessary expertise was found in the form of John Meaney and Nigel Payne. The two have subsequently joined forces to form Design Computing Europe, a wholly-owned subsidiary of Design Computing. Meaney comments that "all too often product developments fail because the developer is unable to identify and assign the correct distribution channels. Good product developers are unlikely to be experts in marketing and distribution problems."

Prelude agreed to inject £200,000 into Design Computing at the end of November 1986, giving Padbury a seat on their board.

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New system to help architects

WITH THE launch of Design Computing, Mr Bob Phillips, the Bristol company's managing director, is determined to change the architect's way of life, and more importantly, work. He realised, through his own practice and from Design Computing's existing user-base, that the time-saving and control facilities of a computer-aided design (CAD) system could be further enhanced to encompass all the business activities of an architectural practice.

"The architectural market is awaking a lot of interest in CAD," says Mr Phillips, "but our research identified a definite need to approach the complete range of business activities within such a practice—in fact, to produce an Architects' Business Package."

The development of that concept, originally called "Ginga," has led to the founding of the company. This, in turn, has allowed the building of a team to advance both the initial product, and its further development, called "Archway," both in the UK and Europe.

Phillips' interest in CAD evolved when working in an academic capacity for Bristol University's Architecture Department. Here he met Mike Beaumont who was to become his partner in forming Design Computing in 1981.

With assistance from their financial advisers, Design Computing went on the venture trail. The search led Design Computing to Prelude Technology Investments, a venture capital organisation, based in Cambridge.

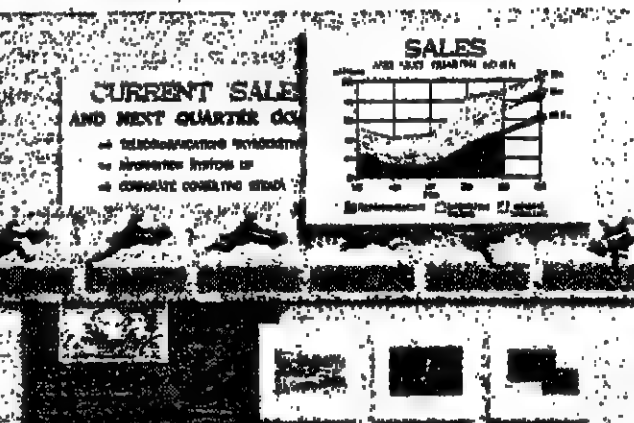
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SOFTWARE IN BUSINESS 3

Desktop publishing

Optimism over long-term prospects

DESKTOP publishing "turns highly paid executives into second-rate designers" - this is the view of one part of the computer industry, particularly of those suppliers who are not entering the market.

On the other hand those who have entered the market predict that desktop publishing software will eventually become as commonplace in the office as the spreadsheet or even the photocopier.

On the latter view, there is an underlying belief that corporate man no longer wants to communicate with words only but with lots of graphics images and charts, and with a choice of many different typefaces and sizes.

After all, people do not think in sequential text mode, so why should they be made to express themselves in that manner?

The reality lies somewhere between these two opinions.

"You get a slick presentation from the dealer," says Mr Jonathan Wright, joint managing director of Technology Services International (TSI), a specialist recruitment agency for information technology personnel.

"Then when you have bought the desktop publishing software, you realise that it is simply a page makeup package and that you really need separate packages for word processing, graphics, artwork and so on, all of which have to be integrated into one system."

"We are in the process of installing Xerox's Ventura desktop publishing software on IBM PC compatible personal computers but that alone does not give you a full desktop publishing system."

"It also needs significant skills because we find that even with aids such as screen icons and mouse pointers for keyboard-shy operators it is still very complicated to use."

"Having said that, we have found it to be very good for internal purposes. It does not produce camera-ready artwork for our recruitment advertisements, but it does allow us to produce rough layouts cheaply on a laser printer for proposals to clients before going to typesetting."

"You can still output it electronically to a diskette and send it off to a typesetter for page make-up."

The electronic publishing market seems to be taking off in all directions at the moment, covering anything from word processing software with embedded typesetting com-



Mastering office paperwork: Systems to manage documents for workgroups ranging in size from a few people to hundreds are assembled above, from Xerox Document Solutions equipment. Personal computers and word processors can share a laser printer, so even a small office can create professional-quality publications. Equipment configurations are determined by needs of individuals, workgroups and job objectives.

mands to full-blown computer-aided design graphics systems for major publishers and newspaper groups.

However, the prevailing definition of a desktop publishing system at present says that it comprises a personal computer based workstation connected to a laser printer for near-typeset quality output, with optional image scanner input.

The Apple Macintosh personal computer has been the most successful in this market. Mr David Jones, who joined Apple UK as desktop publishing marketing manager in 1985,

says: "As far as we are concerned, desktop publishing was born out of three principal elements."

"One is the Macintosh, and the features which made it important were the mouse pointer, the high resolution bit-map-

ped screen and the 32-bit microprocessor which had enough horsepower to move graphics around quickly."

"The second element is the Laserwriter printer, driven by Adobe's PostScript which is now the industry standard software for laser printers."

"The third element was the ability to share this resource using AppleTalk to allow other Apples to come into a PC network. The principal software product is Aldus's Pagemaker. Apple, Aldus and Adobe effectively pioneered desktop publishing."

In 1985, according to Mr Jones, there were less than 1,000 desktop publishing systems installed in the UK although there were other user-friendly, text-based systems around for people who wanted to produce newsletters, and so on.

By 1986, there were 14,000 systems sold throughout Europe, of which about 70 per cent came from Apple. Traditionally, the UK makes up 20 per cent of the European computer market but in desktop publishing, the UK has 25 per cent. With an average system price of \$8,000 to \$9,000, this works out to a market of about \$30m.

"We estimate that something like 20,000 systems will be sold in the UK in 1987, although about 40 per cent of this market will be desktop publishing upgrades to existing personal computers like the IBM PC AT, costing around \$4,000 and using additional graphics facilities, mouse drivers, and so on."

Aldus's Pagemaker pulls in text, graphics and scanned image files from other software packages and produces "command"

files to drive laser printers or typesetters for output in seven present sizes from A3 to A5 or custom page sizes to a maximum of 17 by 22 inches.

Originally available for the Apple Macintosh only because IBM's PC graphics did not come up to scratch at the time, Pagemaker is now available for the IBM PC range.

Mr Derek Grey, managing director of Aldus UK, says: "Some predictions put the worldwide desktop publishing market at \$5bn by 1990, but the reality is that nobody knows what it is worth."

"We support Pagemaker in seven languages. In our first 12 months of trading, we shipped more than 50,000 copies of the Macintosh version of Pagemaker, worldwide. An independent survey of compu-

ter dealers in the US puts us in fourth position in US software sales behind companies like Lotus and Ashton Tate.

"Our view is that we are at the same stage as the spreadsheet was about six or seven years ago when people thought it was only going to be used by specialist users for sophisticated financial modelling."

"The fact is that today almost every PC has one and there is no doubt in my mind that desktop publishing software will go the same way."

Mr Charles Geschke and Mr John Warnock, co-founders of Adobe Systems both left the Xerox Palo Alto Research Centre where they worked in 1982, the home of many innovations. Apple's Macintosh design is very much based on Xerox's Smalltalk research project, for example.

Mr Geschke was involved in the research which led to the Xerox Star corporate publishing and documentation workstation, and also to the interpress printing protocol.

Our original business plan was to build a fully integrated system for printing and publishing," he says.

"We would have used a workstation, printer and typesetter, and would have involved selling not only software, but a complete turnkey system direct to users."

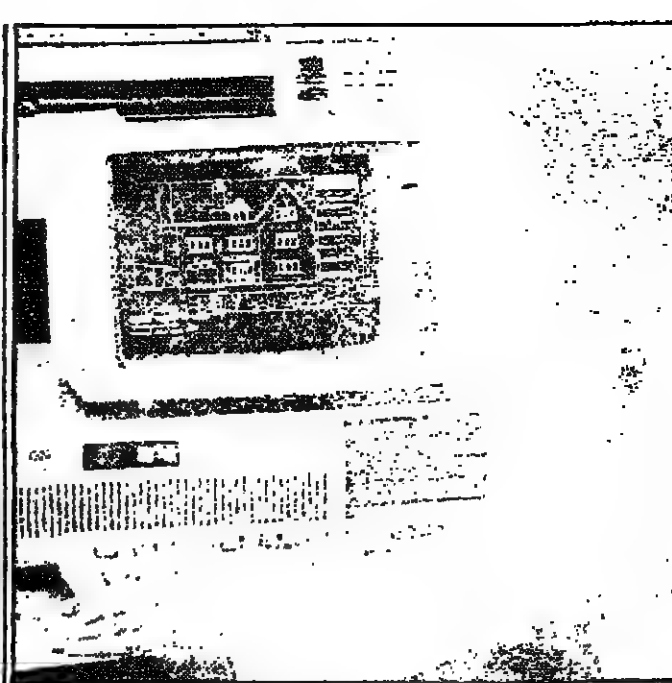
"We soon discovered that there were people both in computing and in typesetting who wanted to have access to faster technology but did not understand how to organise the software, so we changed our business to become a supplier to original equipment manufacturers (OEMs)."

"The Apple Laserwriter was introduced in January 1985 and provided our first major client, but we also announced a relationship with Linotype which provided us with a licence to their entire type library, and which would lead to the development of a typesetter to incorporate our software and electronics design."

The IBM PC is still trying to catch up with the Apple Macintosh in desktop publishing, and the enhanced graphics facilities of IBM's newly announced Personal System 2 should help it along.

Xerox has already launched Ventura, based on Digital Research's Graphics Environment Manager (Gem) products. Several weeks ago, Digital Research itself launched its own Gem Desktop publisher.

Boris Sedacca



The CARBS Eagle system in use

3D modelling package

A FULL 3D modelling software package with all the power and facilities of a mini computer system is now available for personal computers from Carbs International Marketing of Derby.

Design applications include industrial component manufacturing, domestic appliance manufacturing, architecture and interior, furniture and textile design.

The package is now available for IBM PCs and will provide users with the full functions of the original system. Eagle was launched by Carbs over seven years ago and is in use throughout the world for applications as diverse as process engineering and coal mine development, under the brand names of Acropolis and Mincad.

CIML's new personal computer version cost £4,400, which includes training. This, the company claims, makes possible full-colour, intelligent, 3D modelling turnkey systems for under £10,000.

Mr David Barn, marketing director, explains: "There is a major market for a low-cost, versatile 3D modelling system for PCs. The traditional route is to use this smaller end of the market to develop the systems building up to the mini computer scale or to reduce the facilities of larger versions."

"Eagle was developed originally for the more powerful market and we are now making it available, with all its facilities, for the growing number of PC users. Our philosophy is that this version will allow them to prove the benefits of CAD systems without spending enormous sums of money," he says.

PANSOPHIC SYSTEMS, one of the world's leading independent software companies, is set to break new ground in the PC graphics arena through an arrangement with audio-visual communications consultants, Mediatech.

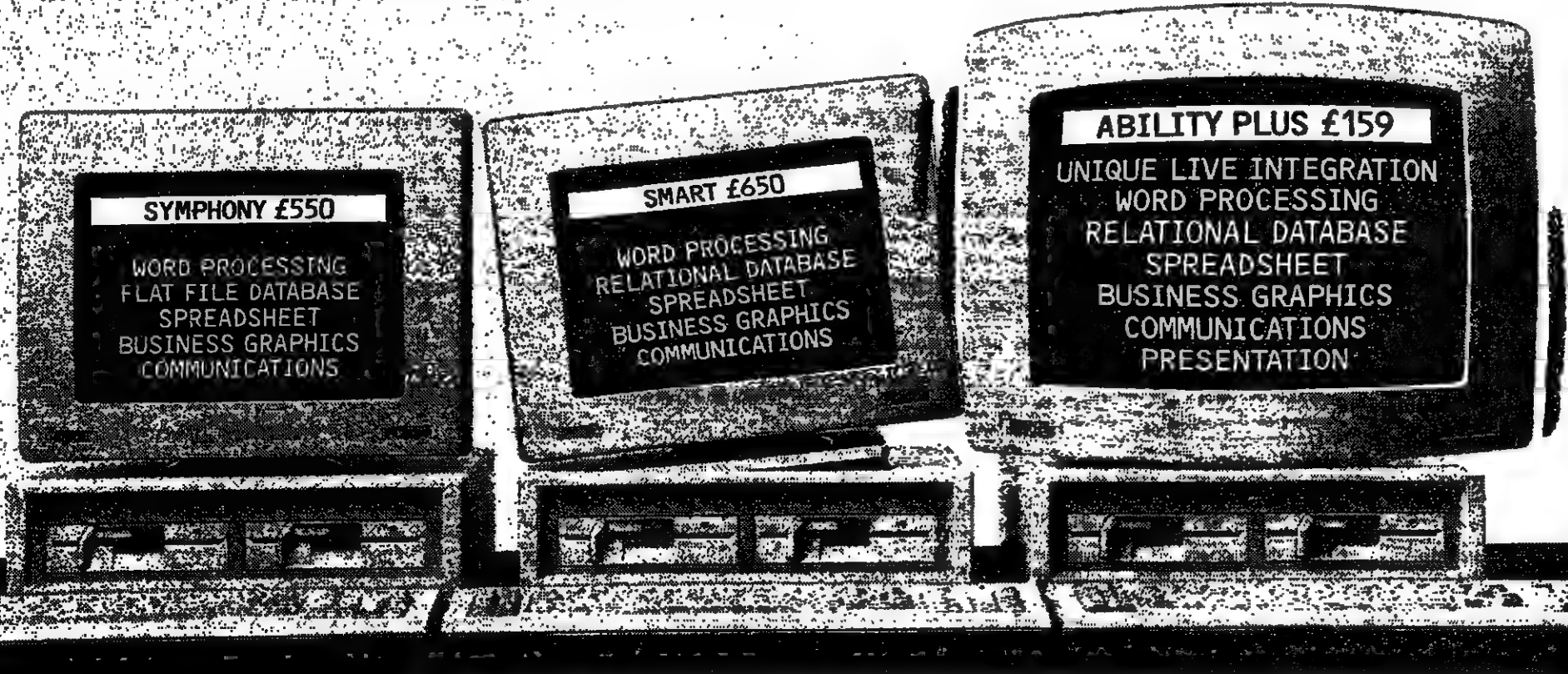
Under the arrangement, Mediatech will distribute Starburst Plus, the PC graphics package recently acquired by Pansophic from AVL. According to Mr Terry Ewing, Pansophic's vice president of European operations, Pansophic is committed to developing the product and has already interfaced it with the D-PICT graphics product line currently running on mainframes and minicomputers.

"PC graphics packages are a totally new arena for us," said Mr Ewing.

"Mediatech has been marketing Starburst Plus in the UK for a number of years. The company has a depth of experience in graphics and presentation tools which we believe will prove very useful."

Graphics software deal

Now you know why we've called our latest integrated software package Ability Plus.



Not content with the phenomenal success of our Ability software package, we've created a new one, with more of everything which made Ability such a winner.

Ability Plus is quite simply, the country's most powerful integrated software package.

It outstrips its competitors both in terms of performance and price.

Ideal for the business and the corporate user, it includes features to give you a degree of flexibility across all functions, unmatched in the market.

Yet, just like Ability, it is incredibly easy to use.

WHAT DO I GET FOR £159?

A six function package, with impressive capacity

across all six elements, which is the last word in live integration.

Ability Plus comprises word processing, spreadsheets, business graphics, database, communications and Presentation! (the PC "slide show" builder). And it also gives you a saving of nearly £400 over the competition.

But perhaps most impressive of all is Ability Plus' fully relational database. Which means it can look up information, whether you're working with a spreadsheet, database, graph or document, then correlate it easily.

Inbuilt into its design are flexible and extensive data validation procedures. These, combined with

the backup and retrieval functions, give you complete data integrity and security.

All this is achieved without time-consuming and complex programming procedures. It has very comprehensive and advanced macro functions, so you can tailor your own system very easily.

Ability Plus gives you a really powerful word processor. It has an English spell-checker and it gives you features like subscript and superscript, triple line headers and footers, even decimal tabs.

And when it comes to importing and exporting files from other software programs, you'll find Ability Plus makes it simplicity itself.

Requiring just 384k RAM memory, it's a lot less

greedy than the 512k RAM of Symphony, for example.

Ability Plus gives you capacity, flexibility, seamless integration and yet (compared to the competition) it's child's play to operate.

THE ABILITY PLUS HERITAGE.

Ability Plus is the latest software product designed specifically for the British market by Migent (UK) Limited.

Our successful understanding of precisely what the business software market needs is demonstrated by the impact made by Ability.

Common to both of them (and to the products we are currently developing) is ease of use, significant and pertinent features for the busy businessman and a truly competitive price.

We intend to keep on demonstrating that Migent, more than any other software company, has understood the need to put science at the service of the businessman, not baffle him with science.

Ability owners are given the opportunity to upgrade from Ability to Ability Plus for just £69, plus VAT.

So, whatever your business, we think you'll agree that we have all the Abilities you'll need to make life a lot easier.

Migent (UK) Limited, 37 Dover Street, London W1N 3RB. Tel: (01) 499 4752.

- ☐ Please send me full details of Ability.
- ☐ Please send me full details of Ability Plus.
- ☐ I wish to upgrade from Ability to Ability Plus.
- ☐ The name and address of my nearest dealer.

Name _____
Position _____
Company _____
Address _____

Tel. _____

MIGENT
Ability Plus
IT GIVES YOU EXACTLY WHAT IT SAYS.

SOFTWARE IN BUSINESS 5

Key questions for users when building or buying software

Application often dictates choice



The software in this "Director" air traffic control simulator runs on a Motorola 68020 processor. Director is a standard Seicon product for training air traffic controllers from all over the world. The processor's power enables the system to simulate realistically almost any air traffic control situation.

UNTIL RECENTLY there were two ways to put an application on a computer. The software to make the application work was either written from scratch (customer-built) or a software package was purchased from a software supplier.

Both approaches have their advantages and disadvantages. Building custom or "bespoke" software allows the computer user to specify exactly what is required and generate software to meet this requirement. But custom-built systems are expensive both to build and to maintain.

Packages are less expensive and maintenance is the responsibility of the supplier. But packages invariably fall short of the specific requirements of a company. This means that they must either be modified or the company must change its way of doing business to fit in with the package.

Another disadvantage of packages is that they make it difficult for owners of the same package to gain commercial advantage from their computer systems.

For many computer applications the choice is dictated by the application. No one would think of building a spreadsheet or a wordprocessing package for themselves. It is easier and cheaper to buy one. Yet a large-scale, on-line order processing system is unlikely to be covered by a package because each company works differently and the software will usually be custom built. These systems, which have many users working simultaneously, could only be installed by large, rich companies.

But the dramatic fall in the cost of hardware and the increased performance of modern microcomputers brings such systems within the reach of smaller companies. Often these companies cannot afford a fully custom-built system and find the available packages limited in their use.

Software companies have begun to react to this, however, and are looking for ways of combining the two approaches. In the past few years software package suppliers and service companies that write custom-built software have started to move closer together.

As a result a new approach to software development has emerged. It attempts to combine the advantages of the package with the advantages of custom-built software.

Package suppliers now offer high-level programming languages and methods, linked to their packages, which can be

used to add new functions to the package and gear it to a specific customer.

At the same time, software service companies build custom systems from small component programs or a "kernel" which are brought together with new programs to produce the final system.

All major software service companies have adopted the kernel approach to building customer systems. Mr Ray Waite of the software company Seicon, a BP subsidiary, says that the approach brings both technical and production advantages. Seicon specialises in large-scale systems in specific market sectors.

"We believe that a software company must be application

oriented, not technology oriented," says Mr Waite.

"We have concentrated on the oil sector, manufacturing and finance as well as government contracts and have evolved our kernel systems approach in these areas," he adds.

The essence of Seicon's approach is that it "re-uses" components which are common to an industry and combines them to give the customer a unique system. It also allows Seicon to offer custom-built software at a lower price and a shorter time scale when compared with a system which is completely custom built.

Mr Waite sees the kernel approach as better than a straightforward package because it is more flexible. He

notes: "A package cannot stand still. It must be continually growing to keep up with the application. The kernel-plus-tools approach allows for this."

Seicon, in common with many other custom software builders, also sells packages and Waite says that 30 per cent of Seicon's income came from this source last year.

Logica, one of Seicon's chief rivals in the UK, has also adopted the "kernel-plus-tools" approach to custom-built systems. Mr Richard Berg, Logica's director of corporate development, says:

"We have evolved kernels for most of the market sectors we work in and hope that by positioning ourselves between pure package selling and pure custom-building we can produce the ultimate in custom software."

Mr Berg goes on to say that kernel software tends to cover the "most difficult" parts of a system, providing an added productivity bonus. The areas where custom building is needed tend to be on the outside of the systems covering such things as screen designs and report layouts.

"Building custom software for this part of a system is much lower risk and is also the area where the customer can gain the best competitive edge," explains Mr Berg.

Package suppliers like Cincor and Cullinet have adopted the package-plus-language approach. Both of these companies have built their reputations on supplying database management packages which may be used as the central part of an application.

They have evolved so-called "fourth-generation" languages (Cincor's is called Mantis and Cullinet's is called ADS) to allow applications to be built around the central database.

At the other end of the market, Ashton-Tate has evolved a similar scheme with its Base range of database products.

The problem of choosing between buying or building software or adopting a cross between the two is summed up by Nick Blakeney-Edwards, director of Hoskyns Group's consultancy division.

"There is no single correct answer in deciding whether to build or buy software," he says. "In making the decision, it is important to consider a number of aspects: Does it work? Does it have the right functions? Is it available quickly at a reasonable price? And can it co-exist with other systems?"

Philip Manchester

Graphics packages

More help for decision-makers

IBM must have a lot of respect for Apple. First it followed Apple into the personal computer market, now it is following it into the graphics market.

The original IBM Personal Computer provided only rudimentary graphics facilities. The screen was to be used primarily for displaying text. Sophisticated graphics was regarded as something of a gimmick at that level.

The famous Lotus 1-2-3 integrated spreadsheet/graphics package changed all that. The PC-DOS operating system, written by Microsoft under commission from IBM, made no provision for graphics.

Lotus's designer got around the IBM PC's graphics constraints by tinkering around inside the machine's hardware, by making direct calls to the basic input/output system (BIOS), a relatively small piece of proprietary IBM software implemented in read-only memory (ROM).

Furthermore, an additional hardware circuit card had to be slotted into the machine to provide better screen graphics resolution.

This did not please IBM because, although it launched the PC as an "open" system in order for it to become an industry standard, it meant that other PC manufacturers had to replicate the ROM BIOS to run Lotus, which had by then become a basic benchmark for "IBM compatibility."

IBM could not afford to let all its sundry make illicit copies of its ROM BIOS software, and some manufacturers felt the weight of IBM's corporate legal might. But at the same time IBM did not want to make it look like it wanted to hog the PC market to itself.

IBM's newly-launched Personal System 2 now handles high resolution graphics directly from its operating system, OS/2, apart from the Model 30 at the bottom of the range. There are no more bits of software hidden in ROM and no need for separate graphics hardware cards.

The hardware used for PS/2's graphics is a modified version of the Intime Transputer, called the Video Graphics Array, with a colour lookup table supporting up to 16 colours on a palette of about 250,000 colours.

"Apple gave IBM a shock with the success of its Macintosh personal computer," says Mr David Fraser, managing director of Microsoft UK. "The Mac has superior graphics to the

original IBM PC but needs no additional hardware.

IBM will be making its own software extensions to the OS/2 operating system for mainframe communication—this is the proprietary bit it wants to itself for slot-in hardware cards, not graphics."

The use of graphics, and more specifically "windowing" combined with communications facilities, can allow multiple sessions to be set up with different host mainframe computers.

Such sessions may be brought up on the screen as "dialogue boxes" and put away again without interrupting them as they may continue to run in the background without having to be displayed on the screen.

IBM has already experimented at this level with its own TopView windowing software product, but OS/2 will be more attuned to this type of environment. Such a system can be useful in communications-intensive applications like financial trading.

ADP for example, uses a TopView-compatible software package on PCs for its Marketpulse system to produce composite screens of information on securities prices from stock markets in New York and London, and from a number of online information sources and newswires.

However, the communications to outside computers is passed through an IBM Series 1 mini-computer, and this can be expensive if there are only a few PCs connected to it.

There will not be a critical mass of OS/2 applications until the first half of 1988, according to Mr Paul Bailey, senior vice president for Digital Research's European operations.

DB supplies applications based around its Graphics Environment Manager (Gem) range for the PC-DOS operating system—"manufacturers and software developers, including ourselves, are unlikely to get their software toolkits until 1988," he says.

"Even then, some may want to rush in advance of the rest, but they will not constitute the bulk of the market. PC-DOS graphics software applications still have some life ahead of them, probably to the end of the decade."

According to the market research consultants, Frost & Sullivan, the European market for graphics software, worth \$480m in 1985, will increase by an average of 35 per cent a year



Ian McNaught Davis of Comshare: "the need is for high quality graphics—fast."

to \$2,680m in 1990, \$480m of which will be in business graphics.

The business graphics market is differentiated between investigative graphics and presentation graphics.

The former is used as a research tool to organise data in such a way as to highlight useful relationships, trends or ideas, and as an aid to decision making and "what-if" analysis.

Boris Sedacca

employing line, bar and pie charts. The emphasis here is on ease of use and data manipulation.

The purpose of presentation graphics on the other hand, is to inform or persuade using computer generated material where quality and clarity are paramount.

This includes charting and illustration systems, painting systems, image editing and animation in a similar manner to that used in advertising.

"Our experience in selling mainframe financial modelling software packages taught us that managers responded better to information presented in graphics form," says Ian McNaught Davis, managing director of Comshare UK.

"We have been working on a future product called Executive Information System (EIS) and we have found the quality of graphics on PCs to be very inferior to that of games computers. You need high quality graphics that does not look like it comes from a computer."

"It also needs to be fast. Five seconds is just about acceptable for a screen image. Any slower and it feels sluggish. If it is slow, you feel you are waiting for the machine. If it is fast, you get the impression of being pushed and therefore you work faster."

Boris Sedacca

Low-cost software

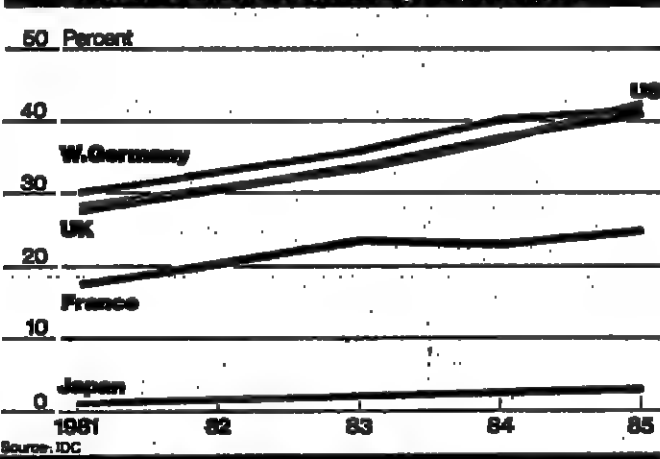


Charles Hamilton of Migent (UK): plans for French and German versions of the Ability Plus package for the corporate market.

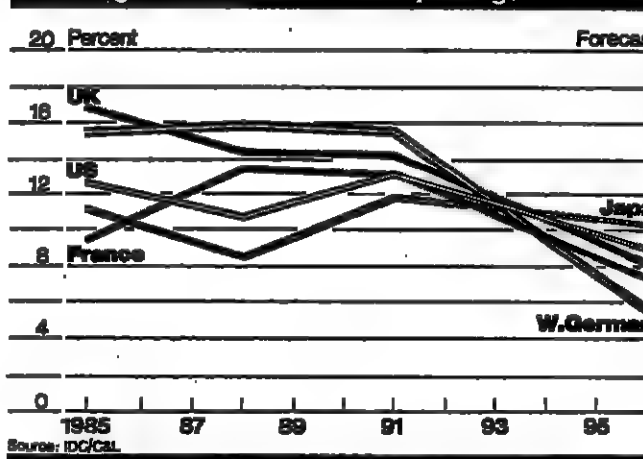
IN THE on-going arguments over software package prices and performance, Charles Hamilton, managing director of Migent (UK), comments: "The high-cost profiteers in software are on the run as we, and other companies, cut prices on software to the bone—but add the muscle of high functionality."

Migent, which has introduced its 259 multifunction integrated software package called Ability for what is claimed to be one-fifth the price of its nearest competitor, argues that "certain software prices have been unnecessarily inflated for years."

Market share of packaged software



Real growth rates for computing services



JAPAN - OPPORTUNITY BEYOND THE HORIZON

Japan's Technology Trust knows no bounds. The R & D and initiatives of more than 6000 Japanese Software Houses - fuelled by massive, co-ordinated investment - already threaten penetration of key world markets and product sectors, leaving behind the complacent and the uninformed. But such burgeoning developments also offer enormous commercial opportunities for the West.

Japanese Software Alert presents a monthly update of software developments in Japan - vital to those who hope to stay in the race. It also indicates the emerging opportunities open to those prepared to grasp them. It is compiled from the perspective reports of specialist contributors throughout Japan's industrial, commercial and academic sectors. To obtain Japanese Software Alert's unique insight into the threats and opportunities which abound, write or phone today for your specimen copy.

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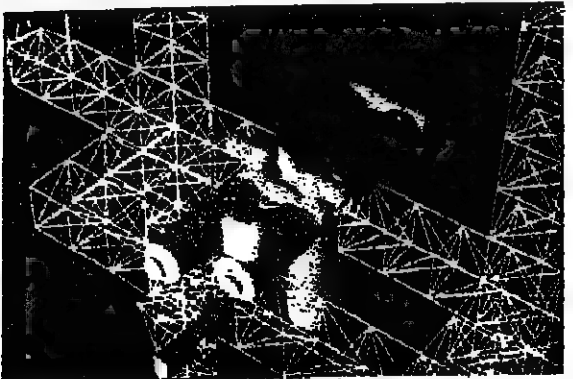
Revenues and earnings compared

Average of the top ten companies in computing services in various countries:					
	1985	West Germany	UK	France	US
Average world-wide revenues	\$42m	\$42m	\$63m	\$130m	\$1,145m
Average overseas earnings	\$10m	\$45m	\$53m	\$362m	n/a
Overseas earnings as % of revenues	24%	59%	59%	41%	31%
Average domestic revenues	\$32m	\$37m	\$77m	\$783m	n/a
Domestic revenue as % of home market	16%	14%	23%	26%	n/a
Average growth rates (1982-1985)					
-including hardware manufacturers	15%	18.5%	5.8%	19.5%	n/a
-excluding hardware manufacturers	15%	16.3%	6.0%	20.3%	<20%

Source: International Data Corporation and Computers and Language Associates.

MAKING TECHNOLOGY WORK

The Columbus space station will provide an infrastructure in orbit for Europe throughout the first quarter of the 21st century. As the programme enters the definition stage, Logica's role has been expanded to lead a consortium of European companies to define the onboard system and mission management software, the ground based mission preparation software and the software technology support.



Projects designed for the future demand a knowledge of the latest advances in technology. But more important than knowing the technologies is knowing how to use them. And where. And when.

Logica's international reputation is founded on the application of innovation, experience and technology. For 18 years we have been using state-of-the-art expertise to solve problems for clients.

In ten market sectors and fifty countries, we are applying knowledge and experience of advanced computing and communications technologies, of knowledge based systems, of human computer interaction and of software and systems design and engineering to deliver solutions.

In the past year alone we have delivered sophisticated systems for integrated water management, interactive video and international trading. Solutions for transport authorities, the defence industry, banks and manufacturers.

Logica. Making technology work.



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Telex: 27200

SELECT SUCCESS.
SELECT CULLINET.ANNOUNCING A BREAKTHROUGH IN BUSINESS SOFTWARE
CULLINET 3x3 ARCHITECTURE

As a result of the most intensive research and development programmes in its history, Cullinet is now able to announce a breakthrough in business software, the first since database management first revolutionised business efficiency. 3x3 Architecture - the name Cullinet have given to this new strategy - is the first step into a new era in software technology.

By listening to our customers, we have been able to develop a comprehensive strategy that answers business needs. Customer research showed an immediate and urgent need for greater integration between systems at all hardware levels and for systems that are flexible and easy to use. We believe that Cullinet's 3x3 strategy answers all these needs.

SOFTWARE THAT WORKS FOR YOU
Unlike previous software, 3x3 has growth and flexibility built in. You decide how to run your system: not your hardware vendor. 3x3 actually helps you achieve the system you want and find the most efficient way of using your database capacity. 3x3 is designed to respond to your exact needs - by intelligent dialogue, users at every level can create their ideal system.

TALKING TO EVERY SYSTEM
3x3 Architecture is the first software strategy that can fully integrate IBM and VAX systems. In fact, 3x3 has been designed to talk to hardware at every level - Mainframes, Departmental and Personal Computers. Cullinet have achieved this using and developing SQL, the industry standard language. This is quite probably the most important breakthrough ever in terms of compatibility.

THE NEW ERA IN SOFTWARE DESIGNED TO SUCCEED

3x3 Architecture is a completely new concept in software, the first strategy that is genuinely capable of responding to individual and corporate needs. For Corporate, Departmental and Personal Computers, 3x3 provides:

- A Commitment to Open Systems Architecture at every hardware level.
- Full support for SQL, the industry standard language.
- A wide range of applications packages.
- A flexible and easy to use development environment.
- Expert systems integrated with commercial applications.

3x3 provides a comprehensive software strategy that will open up processing capacity and free databases for wider and more intelligent use. This is no idle boast. The new generation of software will revolutionise the way computers are used. And Cullinet is leading the way.

BUILT-IN EXPERTISE

Expert systems have been one of the greatest advances in computer technology over recent years. Expert systems capitalise on the specialist knowledge in your company, making it available to everyone via easy-to-use systems. It also has the advantage of freeing specialists from mundane and repetitive consultative work. Cullinet have taken expert systems a dramatic stage further, integrating them with existing commercial applications. This helps you to build applications that give you a real competitive advantage.

TALKING TO YOU
Because this new generation of software is designed to interact with the user at every level, ease of use is a priority. The tools within 3x3 have flexible and easy to understand user interfaces. At every level of hardware, the user can design a system to match exact needs - simply, quickly and efficiently. The user can talk to the system in jargon-free language. Cullinet have ensured that there are no language barriers to the creation of a system that works for you.

SELECT SUCCESS FOR THE FUTURE
Cullinet strategy provides the confidence that you need to move into the future. Continuing development means that soon we will have the complete solution to business computing needs: a unique integration of database management applications and development tools at every level. Return the coupon below and find out how Cullinet could be working for your business.

Cullinet

YESTERDAY, YOUR BUSINESS FITTED THE TECHNOLOGY. TODAY, THE TECHNOLOGY FITS YOUR BUSINESS.

Cullinet Software Ltd, Cullinet House, Elstree Way, Borehamwood, Herts WD6 1LD. Tel: 01-377 2727

Name _____
Position _____
Company _____
Address _____
Postcode _____

☐ Please send me more information on Cullinet's 3x3 Architecture

☐ Please keep me informed on future developments.

☐ Please arrange for me to attend a Cullinet briefing on expert systems.

☐ Please contact me/my secretary to arrange a no-obligation meeting.

Send to: Maria Lane, Cullinet Software Ltd, Cullinet House, Elstree Way, Borehamwood, Herts WD6 1LD. Or call Peter Sedgewick now on 01-377 2727

Jardine Matheson Holdings Limited

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Members of the Company will be held on the top floor, Connaught Centre, Connaught Road Central, Hong Kong on Thursday, 4th June, 1987 at noon for the following purposes:

- 1 To receive and consider the Statement of Accounts and the Reports of the Directors and Auditors for the year ended 31st December, 1986;
- 2 To declare a final dividend;
- 3 To re-elect Directors and approve an increase in their remuneration;
- 4 To re-appoint the Auditors and authorise the Directors to fix their remuneration;
- 5 To consider and, if thought fit, adopt with or without amendments, the following Ordinary Resolution:

That:

- (a) The exercise by the Directors during the Relevant Period of all powers of the Company to allot shares and to make and grant offers, agreements and options which would or might require shares to be allotted and is hereby generally and unconditionally approved;
- (b) The approval in paragraph (a) shall authorise the Directors during the Relevant Period to make and grant offers, agreements and options which would or might require shares to be allotted after the end of the Relevant Period;
- (c) The aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a), otherwise than pursuant to shares issued as a result of the scrip dividend, the proposed bonus issue of ordinary shares, conversions of the Matheson Investments Ltd 65,500,000 7½% Convertible Unsecured Loan Stock 1987/92 and on the exercise of warrants issued by Jardine Matheson (Finance) Ltd, or a Rights Issue, shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as enlarged by the issue of shares pursuant to the proposed bonus issue of ordinary shares, and the said approval shall be limited accordingly; and
- (d) For the purposes of this Resolution: "Relevant Period" means the period from the passing of this Resolution until whichever is the earlier of:
 - (i) the conclusion of the next annual general meeting of the Company; and
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held;

"Rights Issue" means an offer of shares open for a period fixed by the Directors to holders of shares on the register on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory including, without limitation, arrangements relating to the disposal of shares which, by reason of such exclusions or arrangements, are not allotted to the shareholders who would otherwise have been entitled thereto).

By Order of the Board
R. C. Kwok
Company Secretary

Hong Kong, 8th May, 1987

NOTES:

- 1 A Member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll vote instead of him; a proxy need not also be a Member of the Company. Completion and return of the proxy will not preclude a Member from attending and voting in person.
- 2 Concerning item 3 above, it is proposed that the non-executive Directors fees, which have not been reviewed since 1980, be increased from HK\$30,000 to HK\$50,000 each per annum with effect from 1st January, 1987.
- 3 Concerning item 5 above, the Directors wish to state they have no immediate plans to issue any new shares in the Company with the exception of the scrip dividend, the proposed bonus issue of shares, shares issued pursuant to the Senior Executive Share Incentive Scheme approved at the Annual General Meeting held on 5th June, 1986 and, on the conversion of the Matheson Investments Ltd loan stock and on the exercise of the Jardine Matheson (Finance) Ltd warrants.
- 4 The final dividend will be payable on 12th June, 1987 to those shareholders on the register on 5th May, 1987.



Jardine Matheson Holdings Limited
(Incorporated in Bermuda with limited liability)

Jardine Matheson Holdings Limited

Notice of Special General Meeting

Notice is hereby given that a Special General Meeting of the Members of the Company will be held on the top floor, Connaught Centre, Connaught Road Central, Hong Kong on Thursday, 4th June, 1987 at 12.10 p.m. or so soon as the Annual General Meeting of the Company convened for the same day and place shall have been concluded or adjourned, for the purpose of considering and, if thought fit, passing with or without amendments, the following Ordinary Resolutions:

- 1 That the authorised Hong Kong dollar denominated share capital of the Company be and is hereby increased to HK\$2,000,000,000 by the creation of 400,000,000 ordinary shares of HK\$2.00 each;
- 2 That the Directors be and are authorised to capitalise the sum of HK\$338,328,818 being the balance of the amount standing to the credit of share premium account and part of the amount standing to the credit of contributed surplus account of the Company, by appropriating such sum to the holders of ordinary shares on the Register of Members on 5th May, 1987 in proportion to their then holdings of ordinary shares and applying such sum on their behalf in paying up in full unissued ordinary shares of the Company of a nominal amount equal to such sum, for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion of two such ordinary shares for every five ordinary shares held on that date and so that such ordinary shares (save for any dividend declared prior hereto) rank pari passu with the existing issued ordinary share capital of the Company. The Directors may do all acts and things considered necessary or expedient to give effect to any such capitalisation, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all Members interested into an agreement with the Company providing for any such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.

By Order of the Board
R. C. Kwok
Company Secretary

Hong Kong, 8th May, 1987

NOTES:

- 1 It is proposed to increase the authorised share capital in order to preserve the proportion of the share capital of the Company, following the bonus issue and pursuant to the Directors' mandate to allot shares to be renewed at the Annual General Meeting on 4th June, 1987.
- 2 A Member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll vote instead of him; a proxy need not also be a Member of the Company. Completion and return of the proxy will not preclude a Member from attending and voting in person.
- 3 The bonus issue share certificate will be despatched on 12th June, 1987 to those shareholders on the register on 5th May, 1987.



Jardine Matheson Holdings Limited
(Incorporated in Bermuda with limited liability)

CONSTRUCTION CONTRACTS

New Hong Kong building for Standard Chartered Bank

Standard Chartered Bank has awarded the contract for the redevelopment of the bank's building at 4-6A Des Voeux Road Central in Hong Kong to the GAMMON - NISHIMATSU joint venture. The superstructure is valued at about HK\$575m (over \$30m).

Gammon-Nishimatsu joint venture is the contractor for the substructure works currently being carried out on site which are expected to be completed by October 1987.

The new 191 metres high 40-storey office tower totals about 250,000 sq ft net usable area and includes two floors of retail shopping outlets at street level and walkways to adjacent buildings. Completion of the scheme and occupation by Standard Chartered Bank is expected in early 1990.

The terms of the contract include contractor finance arrangements for 25 years during which period Gammon-Nishimatsu will lease the site while facilities. The building will be constructed in reinforced concrete and structural blockwork, and features a heavily landscaped central glazed atrium void to suit the tropical Darwin environment. The client is Esplanade Hotels Pty, a joint venture of Perth-based Resort Investment Society at Surrey Quays, Balcic/Albion Road, Rotherhithe, SE16, has started for completion in July, 1988. For Look Ahead (Beacon Hotels) at 1-11 Dean Cross Street, £1,680,000 the company is carrying out demolition and rebuilding of an old age pensioners' home. The retained front elevation will be supported with raking shores while a new three-storey residential centre will be built.

Self-catering hotel in Darwin

A \$4m (A\$1.3m) contract to construct a hotel in Darwin, in the Northern Territory of Australia, has been awarded to TEAMWORK CONSTRUCTIONS PTY, Australian subsidiary of Taylor Woodrow. The six-storey hotel will have a floor area of 8,900 sq metres and each of the 140 suites will have self-catering facilities for hotel guests as an alternative to the house restaurant

Improving Deptford flats

R. MANSELL has been awarded a variety of contracts totalling over £12m for refurbishment, repair, new build, maintenance and minor works. The largest is a package improvement project worth £7.4m over two years for the London Borough of Lewisham involving work at various blocks of flats in Deptford. The scheme includes installation of central heating, modernisation of kitchen and bathroom and redecoration. A £1.3m refurbishment of four four-storey and four eight-storey blocks of flats at John Aire Court, Howley Place, W2, for the City of Westminster, involves repairs to parapet and balcony walls, brickwork and

concrete repairs, replacement of windows, rain waterpipe overhaul and decorations.

Construction worth nearly £1m of 19 one-bedroom and 16 two-bedroom flats in three blocks for CDS Co-operative Housing Society at Surrey Quays, Balcic/Albion Road, Rotherhithe, SE16, has started for completion in July, 1988. For Look Ahead (Beacon Hotels) at 1-11 Dean Cross Street, £1,680,000 the company is carrying out demolition and rebuilding of an old age pensioners' home. The retained front elevation will be supported with raking shores while a new three-storey residential centre will be built.

Basildon civic centre

WIMPEY CONSTRUCTION MANAGEMENT has won a £13m contract for civil development from Basildon District Council. This order is for the Basildon Centre which will be linked through a reception hall to the new Towngate Theatre, which is now taking shape under the council's earlier contract with Wimpey, and is due to open in 1988. Service links will include control, security and computer systems between the two.

The Basildon Centre will include an underground car park, a computer suite, library and meeting rooms at first, ground and basement levels; upper floors will house the civic offices. The piled foundations will support a concrete frame with external elevations clad in brickwork, and atria will provide natural light for the offices. The project has started and is due for completion in spring 1988.

A \$8.9m contract has been awarded to Wimpey by London Docklands Development Corporation for phase six of the Docklands Enterprise Zone Road, Isle of Dogs. The contract covers 1.4 km of dual and single-lane carriageway, between Poplar to East India Docks, with roundabouts, and three pedestrian underpasses. One roundabout containing three underpasses, will be Preston Road and the second at the East India Dock end. Included in the 18-month contract, due for completion in December 1988, is demolition work, deep drainage, services, diversions, dredging and filling of existing docks, together with the erection of retaining walls, up to 5 metres high.

NOTICE OF ADJUSTED CONVERSION PRICE

To All Holders of 5% of the 6% Convertible Subordinated Debentures due 2001 of Alex. Brown Incorporated (the "Company")

Pursuant to Section 1206 of the Indenture of Alex. Brown Incorporated to Bankers Trust Company, as Trustee, dated June 22, 1986, relating to the Company's 6% Convertible Subordinated Debentures due 2001 (the "Debentures"), the Company hereby gives notice that the Conversion Price of the Debentures in accordance with Clause 2.04 of the Indenture is adjusted to \$4.40 per share, in the form of a stock dividend, on the Common Stock of the Company to shareholders of record May 22, 1987, and that, effective May 22, 1987, the Conversion Price under the Indenture shall be \$35.03.

Alex. Brown Incorporated
Dated: May 11, 1987

NOTICE TO WARRANTHOLDERS

LONDON DEPARTMENT STORE CO., LTD
US \$68,880,000
100% GUARANTEED BONDS DUE 1991
WITH WARRANTS

Pursuant to Clause 3 and 4 of the Instrument dated 26th November, 1986, notice is hereby given to you as follows:

- 1) The Board of Directors of "Holman Department Store Co. Ltd. (the "Company")" at its meeting held on 2nd April, 1987 resolved that the Company shall make a free distribution of shares of its Common Stock on 21st June, 1987, upon terms, to the shareholders of the Company registered on its register of shareholders as of 20th May, 1987, upon the "record date", of the ratio of 0.11 share for each one share owned by each shareholder.
- 2) As a result of such free distribution the subscription price in respect of the Company's warrants, which is currently £1.207 per share, will be reduced to £1.21240 per share of the Company's Common Stock in accordance with Clause 3, paragraph (i) of the Instrument. The new subscription price will become effective on 21st June 1987 which is the day immediately after the record date.

THE TOTAL BANK, LIMITED
LONDON BRANCH
PRINCIPAL PAYING AGENT
11th May, 1987

Houses and flats in North West

ROWLINSON CONSTRUCTION, Poynton, Cheshire, has won contracts worth about £5.5m to build and repair homes in Manchester, Salford and Stockport. The company is working on phase 1, and has started phase 2 of a Manchester City Council housing scheme at Wythenshawe Road, Wythenshawe. Phase 1, worth £1.55m, is to build 44 one-bed and 18 two-bed flats, and four houses in a terrace, under a 18-month contract that also includes roads, sewers and siteworks. Under the £1.92m phase 2 contract at Wythenshawe, Rowlinson is building 33 houses in traditional construction, 38 with three bedrooms and the rest with two. The 66-week project, again including sitework, started in April. The company is about to start a year-long scheme to build 52 two- and three-bed flats in two-storey blocks at Maple Road in Brooklands. The £1.56m contract is also for the City of Manchester.

In Salford, Rowlinson is building 24 old people's flats in a two-storey block at Wellington Street East for the Portico Housing Association (£283,000). For Stockport Council, Rowlinson is carrying out a six-month "envelope" scheme to improve 33 houses in Mill Lane, Reddish, under a £178,000 contract that includes repairs to roofs, windows and brickwork, and redecoration.

Willmott wins housing development

JOHN WILLMOTT HOUSING, a subsidiary of the John Willmott Building Group, has been awarded a contract worth in the region of £3.2m by the Decan Kelly Group for the construction of 114 flats and 64 houses at Cowley, Middlesbrough. A. E. Symes, another subsidiary, has been awarded a contract worth about £1.25m by Claydon Properties to build offices and flats at St John's Square, ECL. John Willmott/Cambridge has been awarded a contract worth about £1.5m by Spicers at Sawston, Cambridge, for an extension to the central distribution warehouse.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an offer or an invitation to the public to subscribe for or purchase any securities.

"INVESTING IN SUCCESS" EQUITIES Plc

(Registered in England number 634815)

Issue of 6,120,000 Warrants to subscribe for ordinary shares of 25p each in "Investing in Success" Equities Plc

Each Warrant entitles the holder to subscribe at any time from 1st February, 1988 up to 30th April, 1992 (both dates inclusive) for one ordinary share of 25p at a price of 212p. The Warrants have been admitted to the Official List of The Stock Exchange. Dealings will commence on 11th May, 1987.

Particulars of the Warrants are available in the statistical services of Exel Statistical Services Limited. Copies of the Listing Particulars relating to the Warrants may be obtained during normal business hours from the Company Announcements Office of the Quotations Department (for collection only) up to and including 13th May, 1987 or during normal business hours on any weekday (Saturdays excepted) up to and including 25th May, 1987 from:

"Investing in Success" Equities Plc
20 Copthall Avenue
London
EC2R 7PA

Hoare Govett Limited
4 Broadgate
London
EC2M 7LE

11th May, 1987

This advertisement complies with the requirements of The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

Blue Circle Industries PLC

(Incorporated with limited liability in England)

£60,000,000

6½ per cent. Subordinated Convertible Bonds 2002 convertible into ordinary shares

- | | |
|---|--|
| Baring Brothers & Co., Limited | ◆ Swiss Bank Corporation International Limited |
| Algemene Bank Nederland N.V. | ◆ Banque Bruxelles Lambert S.A. |
| Banque Nationale de Paris | ◆ Commerzbank Aktiengesellschaft |
| County NatWest Capital Markets Limited | ◆ Credit Suisse First Boston Limited |
| Kidder, Peabody Securities Limited | ◆ Morgan Guaranty Ltd. |
| Nomura International Limited | ◆ Security Pacific Hoare Govett Limited |
| Shearson Lehman Brothers International Inc. | ◆ Sumitomo Finance International |
| Westdeutsche Landesbank Girozentrale | ◆ Union Bank of Switzerland (Securities) Limited |

The issue price of the Bonds is 100 per cent of their principal amount. Application has been made to the Council of The Stock Exchange for the Bonds to be admitted to the Official List.

Interest is payable annually in arrears on 20th May, the first such payment being due on 20th May, 1988.

Particulars relating to the Bonds and the Issuer are available in the Exel Statistical Service. Copies of the Listing Particulars may be obtained during normal business hours up to and including 13th May, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 25th May, 1987 from:

Blue Circle Industries PLC	Baring Brothers & Co., Limited	Hoare Govett Limited	The Chase Manhattan Bank NA
Portland House, Aldermaston	6 Bishopsgate	4 Broadgate	Woolgate House, Coleman Street
Berkshire	London	London	London
RG7 4HP	EC2N 4AE	EC2M 4LE	EC2P 2HD
			11th May, 1987

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LONDON SHARE SERVICE

BRITISH FUNDS						BRITISH FUNDS—Contd						FOREIGN BONDS & RAILS—Contd					
Interest	Stock	Price	Last	Yield	Int. & Div.	Interest	Stock	Price	Last	Yield	Int. & Div.	Interest	Stock	Price	Last	Yield	Int. & Div.
"Shorts" (Lives up to Five Years)						Index-Linked						AMERICANS					
220c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
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140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	100.00	100.00	100.00	8.77		20 Sep 30 100	100.00	100.00	100.00	8.77		140c 12m 1997	100.00	100.00	100.00	8.77	
140c 12m 1997	1																

LONDON SHARE SERVICE

INDUSTRIALS—Continued

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هذه امة الاصل

DAVID C. BAKER

[illegible][illegible][illegible][illegible][illegible]

- are added, adjusted to ACT or 21 percent and allow for value of other investments in the system.
- **Tax "kickback"**
 - High net worth married trusts have been advised to allow for income tax kickbacks
 - Interim and non-reduced or presumed,
 - Interim since reduced, passed or deferred.
 - Tax-free to non-reduced on application.
 - Flavors or more
 - Not officially UK listed; dealings permitted under UK 535A; USIA; not listed on Stock Exchange and company not subject to SEC registration of 21 percent on listed securities.
 - Deal in under UK 535(3).
- **Price at time of underpinning.**
 - Price at time of underpinning
 - Price at time of underpinning and pending stock and rights issues releases to previous dividend or forecast.
 - Member bid or reorganization in progress.
 - See comments
 - Same interim: reduced final and/or reduced earnings (see comments)
 - Forecast: decreased; cover an earnings upended by Laxity.
- **Cover allows for conversion of shares not now ranking for tax or claiming only for retained dividend.**
 - Cover allows for conversion of shares not now ranking for tax or claiming only for retained dividend
 - Cover allows for conversion of shares not now ranking for tax or claiming only for retained dividend

I declare under penalty of perjury that the foregoing is a true and correct statement of the facts known by me. I am not aware of any information that would cause the foregoing to be incomplete or incorrect. I am not aware of any information that would cause the foregoing to be incomplete or incorrect. I am not aware of any information that would cause the foregoing to be incomplete or incorrect.

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials	3	NEI
Allied-Lyons	15	Nat West BK
Amsrad	35	P & O DIC
BAT	45	Plessey
Bou Circle	42	Poly Pack
BSR	12	Racal
BTR	19	RHM
Babcock	36	Royal Ordn
Barclays	19	Shed Indus
Beecham	48	SEAC
Bell	62	Scars
Boots	25	TSCB
Bowaters	37	TSD
Brit Aerospace	59	TSB
BT	20	Telecom

Burns Ind.	23	Trust Houses	23
Cashberg	23	Turner Newsall	23
Charter Cons.	30	Unilever	23
China Union	29	W.C. Wills	23
Comptel	29	Wellcome	23
ENFC	20	Bp	23
Gen Accident	18	Prager	23
Glaxo	11	Reit Ltd	23
Glaxo	110	Land Securities	23
Grand Merit	20	MEPC	23
GIS	106	Poacey	23
Guthrie	65	Bps	23
GKN	50	BOM	23
Hanson Ltd	50	BP Petroleum	23
Hawker Sid	50	Burnish Oil	23
ICI	52	Chesbrough	23
Landmark	52	Premier	23
Legal & Gen	25	Shell	23
Lia Services	25	T. Ichniowski	23
Lloyds Bank	18	Ullmann	23
Lucas Ind.	55	Mines	23
Lucas & Spencer	18	Cos Gold	23

**A selection of Options traded is given on the
London Stock Exchange Report Page.**

Trade fairs and exhibitions: UK

Current
Business to Business Exhibition (01-729 0677) (until May 13) Barbican Centre
Automated Manufacturing Exhibition and Conference—AUTO-MAN (01-891 5051) — Quality Assurance & Production Inspection Technology Exhibition INSPEX (01-891 5051) NEC, Birmingham
May 14-16 Scottish Money Show (01-948 5166) Scottish Exhibition Centre, Glasgow
May 17-20 Consumer Electronics Show (01-486 1951) Earls Court
May 18-21 International Process Engineering Exhibition (01-885 7777) Earls Court

May 18-21
International Environment and Safety conference and exhibition (0775 51903) NEC, Birmingham
May 18-21 London Wine Trade Fair (01-637 2400) Kensington Exhibition Centre
May 18-23 Chelsea Flower Show (01-834 4333) Royal Hospital, Chelsea
June 2-4 Heating, Ventilating and Air Conditioning Exhibition—LONDON HEVAC (01-705 6707) Earls Court
June 5-14 Fine Art & Antiques Fair (01-385 1200) Olympia
June 10-11 National Joint Utilities Group Exhibition and Conference (0223 778311) NEC, Birmingham

Overseas

Current
May 8-13 International Industrial, Automation, Process Control Technological and Equipment Exhibition CHINA INPROTECH (02403 29406) (until May 13) Beijing
May 17-20 Business Efficiency Exhibition—BEE/OFEK (02403 29406) Hong Kong
May 20-23 International Technical Fair (spring) (021-706 6707) Budapest
May 23-June 7 International State Fair (01-734 9822) Nioca
May 27-June 2 International Trade Fair for Machinery & Equipment for Wood & Forest Industries—LIGNA (01-661 2191) Hannover

June 9-15
International Building Construction Exhibition—CONSTRUCT-ION CHINA (01-486 1951) Beijing
June 22-25 International Foundry Exhibition (021-455 9600) Brno

May 11-12
Practising Law Institute: Foreign Investment in the United States after the Tax Reform Act of 1986 (NY 212) 765-5700 New York Hilton
May 11-15 ISATA: 16th International Symposium on Automotive Technology and Automation (01-680 8659) Florence

Business and Management Conferences

May 11-12
Practising Law Institute: Foreign Investment in the United States after the Tax Reform Act of 1986 (NY 212) 765-5700 New York Hilton
May 11-15 ISATA: 16th International Symposium on Automotive Technology and Automation (01-680 8659) Florence
May 12 Institute of Directors: The Inland Revenue and the Company Executive (01-839 1233) 116 Pall Mall, SW1
May 13 Longman Seminars: Defaulting debtors: how to avoid them and what to do if you fall (01-242 4111) Cavendish
May 13-14 Financial Times: The tenth FT World electronics conference (01-621 1368) Inn on the Park, W1
May 18-19 Financial Times: European banking conference (01-621 1355) Milan
May 18-20 IMECH: European congress on fluid mechanics for the oil, petrochemical and related industries (01-232 7899) The Hague
May 19-20 Campaign Marketing: The advertising and marketing conference (01-680 7623) Royal Lancaster Hotel, W2
May 19-21 Spectra: Retail Europe '87 (0734 794161) Novotel, London
May 21 Institute of Directors: Directors' responsibilities and liabilities (01-839 1233) 116 Pall Mall, London
May 27-28 Crowe Eagle Communications: International trade fairs (01-242 4111) Tower Hotel, E1
May 28 Tolley Publishing: CSR spring updating (01-727 3503) London Press Centre

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Parliament

TODAY
Commons: Debate on nuclear power and the Government's decision to approve the Sizewell B power station. Motion on industrial relations relating to Northern Ireland. Motion on the Representation of the People (Variation of Limits of Candidates' Election Expenses) Order.
Lords: Irish Sailors and Soldiers Land Trust Bill, third reading. Register of Sasines (Scotland) Bill, third reading. Abolition of Domestic Rates (Scotland) Bill, third reading. Fire Safety and Safety of Places of Sport Bill, consideration of Commons amendments. Motion on financial services orders. Unstarred question on the law covering horse racing on Sundays.
Select committees: Environment—subject: pollution of rivers and estuaries. Witnesses: Royal Society for the Protection of Birds; Lord Belstead, Agriculture Minister of State. (Room 20, 4.30 pm). Foreign Affairs—subject: South Africa. Witnesses: Chief Mangope, President of Bophuthatswana (Room 15, 4.30 pm). Public Accounts—subject: courts and prison building programmes; subject: government departments and health authorities. Witnesses: Sir Gordon Manzie, Property Services Agency, Sir Brian Cubbon, Home Office, and Sir Derek Oulton, Lord Chancellor's Department (Room 18, 4.45 pm).
TOMORROW
Commons: Dartford-Thurrock Crossing Bill, second reading. Motion on the Parliamentary Constituencies (England) (Miscellaneous Changes) (No 2) and (No 3) Orders. Opposed private business after 7 pm.
Lords: Conveyancing Services Bill, second reading. Criminal Justice Bill, committee. Deer Bill, committee. Crown Proceedings (Armed Forces) Bill, third reading. Parliamentary Health Service Commissioners Bill, third reading.
Select committees: Parliamentary Commissioner for Administration—subject: reports of the Commissioner for Administration for 1986. Witnesses: Mr A. M. W. Battisill,

chairman of the Board of Inland Revenue and officials (Room 5, 4.30 pm). Committee on a Private Bill—Harwich Parkerton Quay (Room 6, 10.30 am).
WEDNESDAY
Commons: Lords amendments to the Abolition of Domestic Rates (Scotland) Bill. Remains stages of the Criminal Justice (Scotland) Bill. Motion on the Lord Chancellor's Salary Order.
Lords: Debate on measures to protect the countryside. Debate on the problems of privatisation without competition. Crossroads Bill, committee. Motor Cycle Noise Bill, second reading.
Select committees: Employment—subject: Manpower Services Commission corporate plan 1987-91. Witnesses: MSC (Room 8, 4.15 pm). House of Commons—subject: regulation of DBS and cable TV. Witnesses: IBA; British Satellite Broadcasting (Room 5, 4.15 pm). Public Accounts—subject: incorrect payments of social security benefits; unemployment and social security benefits—fraud and abuse. Witnesses: Mr C. France, DHSS, and Sir Michael Quinlan, Department of Employment (Room 18, 4.15 pm). Social Services—subject: problems associated with AIDS. Witnesses: Rt Hon Norman Fowler MP, Health and Social Services Secretary (Room 21, 4.15 pm). Joint Committee on Consolidation—subject: Conveyancing Services Bill. Witnesses: Mr P. F. Knowles, Deputy Parliamentary Counsel, Mr P. L. Jacob, senior legal assistant, Lord Chancellor's Department (Room 4, 4.30 pm). Committee on Private Bills—London Underground (Goudge Street) and British Railways Bill (Room 8, 4 pm).
THURSDAY
Commons: Local Government Bill, remaining stages.
Lords: Immigration (Carriers Liability) Bill, report. Criminal Justice Bill, committee. Nations on Northern Ireland Orders.
FRIDAY
Commons: Debate on small firms, on an adjournment motion.

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interim or final. The sub-divisions shown below are based mainly on last year's timetable.

TODAY
Commons: Debate on nuclear power and the Government's decision to approve the Sizewell B power station. Motion on industrial relations relating to Northern Ireland. Motion on the Representation of the People (Variation of Limits of Candidates' Election Expenses) Order.
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Commons: Local Government Bill, remaining stages.
Lords: Immigration (Carriers Liability) Bill, report. Criminal Justice Bill, committee. Nations on Northern Ireland Orders.
FRIDAY
Commons: Debate on small firms, on an adjournment motion.

Treasurer for Barclays Bank

Mr Peter Wood has been appointed a general manager and treasurer of BARCLAYS BANK. Mr Alastair Robinson, regional general manager, Asia, becomes general manager with responsibility for personnel from June 1. Mr Christopher Haviland has been appointed regional general manager, Asia, from June 1. He is a director of Barclays de Zoete Wedd and will retain a responsibility for BZW offices in Asia.

The following have been appointed to the board of UNIONAMERICA MANAGEMENT CO: Mr W. E. Thiele, Mr H. Loyne, Mr M. D. Haber, Mr P. J. Cooper, Mr R. B. Jago, Mr G. S. Jones, and to the board of Continental Reinsurance Management Co: Mr Thiele, Mr N. R. H. O. Harley, Mr J. E. Loyne, Mr Haber, Mr M. A. J. Hayden. Mr J. M. Sinclair has been appointed casualty treaty underwriter for Continental Reinsurance Corporation (UK).

Mr Mark Wyche has been appointed finance director of A & G Security Electronics, subsidiary of HALMA. He was with Novacold. Mr J. O. Harkness has been appointed sales director at SEAC, another Halma subsidiary. He was sales and marketing manager of the industrial direct sales division of Bostik.

Mr Richard W. Henson has been appointed sales director at MELLAND AND COWARD, Stockport, part of the textiles division of Whitworth. He was finance director.

Mr Geoff James has been appointed director of manufacturing operations at VICKERS SHIPBUILDING AND ENGINEERING, an operating subsidiary of VSEL Consortium. He was manufacturing director and deputy managing director of British Rail Engineering.

The BRITISH PLASTICS FEDERATION has appointed Mr David Thomas, group director of the ICI chemicals and polymers group, as president.

CHASE PROPERTY HOLDINGS (Wingate Property Investments) has appointed Mr Geoffrey Solomon, Mr Tim Alcock, and Mr Tony Gibb, as executive directors following the disposal of their interest in Pengep Estates.

Mr Miles Deltin has been appointed managing director of the aviation division of BP OIL. He succeeds Mr Eric Reed, who becomes general manager, aviation sales, BP North America Petroleum Inc. Mr Deltin was managing, strategy and planning, Air BP International.

Mr M. J. Broad has been appointed a director of THE PERMUTIT CO, a member of the Portals Water Treatment Group. He will continue to be responsible for Permutit industrial division.

The technical director of THORN EMI, Dr Kenneth Gray, has additionally been appointed to the newly-created post of executive chairman, Thorn Software.

Mr Sidney Spire has been appointed a non-executive director of FIRST SECURITY GROUP.

Mr David Carter has been appointed director in charge of Private Label Services, and Simon Jones becomes director in charge of REM Exports. Both

companies are part of REM's grocery division.

TIP TOP DRUGSTORES has appointed Ms Angela Hall as marketing director. She was marketing manager.

Mr Stewart Duncan has been appointed managing director of UNITED TRANSPORT LINE, in-house shipping line for United Transport Company's container operations. He was operations director Europe for United States Lines.

Mr Stanley Thomson, executive director of finance with the Ford Motor Company, has been elected president of the CHARTERED ASSOCIATION OF CERTIFIED ACCOUNTANTS.

NOMURA INTERNATIONAL has promoted Mr Nigel Forrest to associate managing director. He was an executive director in the corporate finance department.

Mr Paul L. Devine has been appointed managing director of LEISURETIME INTERNATIONAL. He is chief executive of Worldwide Dryers.

Mr Richard H. Davy is to join MERRILL LYNCH EUROPE as an executive director on May 26. He was on the board of Exco International.

At AMERICAN EXPRESS travel related services, UK & Ireland, Mr Tim Wilson has been appointed vice-president finance and planning. He was vice-president treasury Europe, Middle East and Africa. Mr Ian Johnson, vice-president finance and planning, has become vice-president and controller TRS EMEA.

THOMSON COMPONENTS has appointed Mr Ernie Pusey as managing director.

Mr Martha Watts will be appointed to the board of HARRIS QUEENSWAY from July. He is a founder director and managing director of Olympus Sport International. He is also retail and marketing director of the British Glove Corporation, a part of the Sears Group. Overall responsibility for the operating companies within the Harris Queensway Group will be divided between: Mr Peter Carr, furniture, electricals and Mr Watts, carpets, furnishings, stationery, and home crafts.

MONKS & CRANE has appointed Mr John Phillips as group sales director and Mr Tony Mercer as marketing and contracts manager.

Mr Marcus Beagle-Clench has been appointed to the board of CCL FINANCIAL GROUP as sales director of CCL Assurance. He was managing director of Arlington Kyng, which has been acquired by CCL.

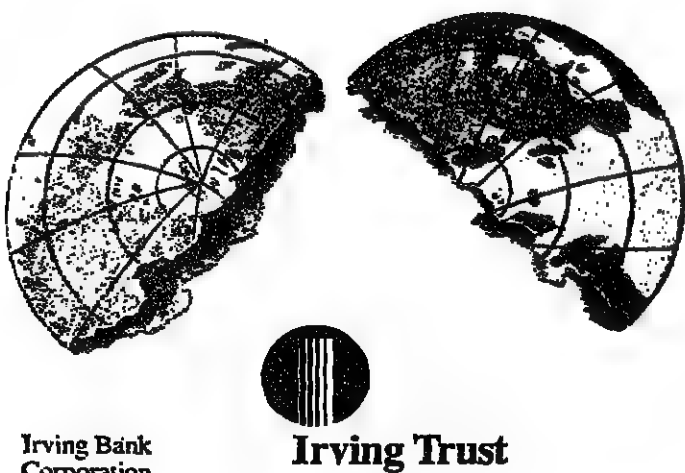
Mr Conal F. Boyle has been appointed chief executive of ANTIGEN.

Mr Malcolm J. Ray has been appointed managing director of foundations division of BRIMD QUALCAST. He has joined from Catton and Co and succeeds Mr Terry Davies who will continue as executive chairman.

Mr Graham Barrett, chairman and managing director of Parrett and Neves and its subsidiary, Associated Kent Newspapers, has been elected president of the NEWSPAPER SOCIETY.

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THE FT TENTH WORLD ELECTRONICS CONFERENCE

London, 13 & 14 May, 1987

For information please return this advertisement, together with your business card, to: Financial Times Conference Organisation, Winchester House, Arthur Street, London EC2R 9AX, or telephone: 01-621 3355 telex: 27347 FICONG G. Fax: 01-623 8914

EUROMONEY Conferences

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London
20-21 May International Portfolio Management
1-2 June The 1987 International Equities Seminar
10-11 June Country Risk Analysis
23-24 June Interest Rate and Currency Risk Management Workshop
30 June-1 July Debt/Equity Swaps
New York
18-19 May Interest Rate Risk Management
2-3 June International Financial Law
25-26 June The Global Debt Strategies Conference

For registration details, please telephone: Judy Kynnersley on 01-286 3288 or Telex: 8814985-6

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WORLD STOCK MARKETS

INTERNATIONAL COMPANIES AND FINANCE

Henderson to raise \$106m

By Our Financial Staff

HENDERSON Land Development, the Hong Kong property group controlled by Mr Lee Shau-kee, is to raise HK\$106m (US\$106m) through a share placing - mainly on overseas markets - to fund purchase of additional properties and sites.

Analysts viewed the move as suggesting the company would become active in forthcoming land auctions. A forthcoming auction on May 29 is due to see the sale of the Old Fire Station site in central Hong Kong, the only major site in a prime location that is expected to go on the block this year.

Baring Brothers, which is co-ordinating the placement, said that Henderson Development (HDL), which is Henderson Land's controlling shareholder, has arranged to place with institutional investors 131.9m of the shares it holds in the company.

AIG posts big gain in first quarter

By Our New York Staff

AMERICAN International Group, the leading US international insurance company, made \$207.6m or \$1.27 a share in net profits during the first quarter of 1987, 67 per cent up on the \$123.8m or 77 cents it earned in the previous year.

While AIG's strong performance mirrors the big improvement in underwriting performance throughout the US insurance industry, it also maintains the company's traditional position at the top of the insurance profitability league.

AIG specialises in underwriting unusual risks and innovating new types of insurance cover through a very wide international spread of insurance companies and agencies. Its operating profits from property/casualty business were \$122m, 121 per cent up on the year-earlier level, on net premiums written of \$1.89bn, 33 per cent up. In comparison, Aetna Life and Casualty, the largest US insurance group, recently reported general insurance op-

Merrill puts loss at \$275m

By Our Financial Staff

MERRILL LYNCH, the US brokerage firm, said its recent trading losses in mortgage-backed securities, which caused a big reshuffle of senior management in its worldwide securities trading operations, will total about \$275m, \$25m more than previously reported.

The loss will result in a \$275m reduction in pre-tax earnings, Merrill Lynch said. Last month when the company first revealed the losses - caused by unauthorised trading by one of its leading bond dealers - it said it did not expect a loss for the second quarter due to earnings in other areas.

In a filing with the US Securities-Exchange Commission, the company said positions and related hedges connected with the loss had been substantially liquidated.

CANADA

Closing prices May 8

Stock	High	Low	Close	Change
482 AMGA Int	104.0	101.0	101.0	-1.0
483 AMGA Int	104.0	101.0	101.0	-1.0
484 AMGA Int	104.0	101.0	101.0	-1.0
485 AMGA Int	104.0	101.0	101.0	-1.0
486 AMGA Int	104.0	101.0	101.0	-1.0
487 AMGA Int	104.0	101.0	101.0	-1.0
488 AMGA Int	104.0	101.0	101.0	-1.0
489 AMGA Int	104.0	101.0	101.0	-1.0
490 AMGA Int	104.0	101.0	101.0	-1.0
491 AMGA Int	104.0	101.0	101.0	-1.0
492 AMGA Int	104.0	101.0	101.0	-1.0
493 AMGA Int	104.0	101.0	101.0	-1.0
494 AMGA Int	104.0	101.0	101.0	-1.0
495 AMGA Int	104.0	101.0	101.0	-1.0
496 AMGA Int	104.0	101.0	101.0	-1.0
497 AMGA Int	104.0	101.0	101.0	-1.0
498 AMGA Int	104.0	101.0	101.0	-1.0
499 AMGA Int	104.0	101.0	101.0	-1.0
500 AMGA Int	104.0	101.0	101.0	-1.0

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	High	Low	Last	Change
482 AMGA Int	104.0	101.0	101.0	-1.0
483 AMGA Int	104.0	101.0	101.0	-1.0
484 AMGA Int	104.0	101.0	101.0	-1.0
485 AMGA Int	104.0	101.0	101.0	-1.0
486 AMGA Int	104.0	101.0	101.0	-1.0
487 AMGA Int	104.0	101.0	101.0	-1.0
488 AMGA Int	104.0	101.0	101.0	-1.0
489 AMGA Int	104.0	101.0	101.0	-1.0
490 AMGA Int	104.0	101.0	101.0	-1.0
491 AMGA Int	104.0	101.0	101.0	-1.0
492 AMGA Int	104.0	101.0	101.0	-1.0
493 AMGA Int	104.0	101.0	101.0	-1.0
494 AMGA Int	104.0	101.0	101.0	-1.0
495 AMGA Int	104.0	101.0	101.0	-1.0
496 AMGA Int	104.0	101.0	101.0	-1.0
497 AMGA Int	104.0	101.0	101.0	-1.0
498 AMGA Int	104.0	101.0	101.0	-1.0
499 AMGA Int	104.0	101.0	101.0	-1.0
500 AMGA Int	104.0	101.0	101.0	-1.0

AUSTRIA

Stock	High	Low	Close	Change
2410 1960	1960	1960	1960	0
2420 1960	1960	1960	1960	0
2430 1960	1960	1960	1960	0
2440 1960	1960	1960	1960	0
2450 1960	1960	1960	1960	0
2460 1960	1960	1960	1960	0
2470 1960	1960	1960	1960	0
2480 1960	1960	1960	1960	0
2490 1960	1960	1960	1960	0
2500 1960	1960	1960	1960	0

GERMANY

Stock	High	Low	Close	Change
350 280	280	280	280	0
351 280	280	280	280	0
352 280	280	280	280	0
353 280	280	280	280	0
354 280	280	280	280	0
355 280	280	280	280	0
356 280	280	280	280	0
357 280	280	280	280	0
358 280	280	280	280	0
359 280	280	280	280	0

NETHERLANDS

Stock	High	Low	Close	Change
65.5 55.5	55.5	55.5	55.5	0
65.6 55.5	55.5	55.5	55.5	0
65.7 55.5	55.5	55.5	55.5	0
65.8 55.5	55.5	55.5	55.5	0
65.9 55.5	55.5	55.5	55.5	0
66.0 55.5	55.5	55.5	55.5	0
66.1 55.5	55.5	55.5	55.5	0
66.2 55.5	55.5	55.5	55.5	0
66.3 55.5	55.5	55.5	55.5	0
66.4 55.5	55.5	55.5	55.5	0

FINLAND

Stock	High	Low	Close	Change
247 183.5	183.5	183.5	183.5	0
248 183.5	183.5	183.5	183.5	0
249 183.5	183.5	183.5	183.5	0
250 183.5	183.5	183.5	183.5	0
251 183.5	183.5	183.5	183.5	0
252 183.5	183.5	183.5	183.5	0
253 183.5	183.5	183.5	183.5	0
254 183.5	183.5	183.5	183.5	0
255 183.5	183.5	183.5	183.5	0
256 183.5	183.5	183.5	183.5	0

FRANCE

Stock	High	Low	Close	Change
196 151.5	151.5	151.5	151.5	0
197 151.5	151.5	151.5	151.5	0
198 151.5	151.5	151.5	151.5	0
199 151.5	151.5	151.5	151.5	0
200 151.5	151.5	151.5	151.5	0
201 151.5	151.5	151.5	151.5	0
202 151.5	151.5	151.5	151.5	0
203 151.5	151.5	151.5	151.5	0
204 151.5	151.5	151.5	151.5	0
205 151.5	151.5	151.5	151.5	0

ITALY

Stock	High	Low	Close	Change
2700 23610	23610	23610	23610	0
2701 23610	23610	23610	23610	0
2702 23610	23610	23610	23610	0
2703 23610	23610	23610	23610	0
2704 23610	23610	23610	23610	0
2705 23610	23610	23610	23610	0
2706 23610	23610	23610	23610	0
2707 23610	23610	23610	23610	0
2708 23610	23610	23610	23610	0
2709 23610	23610	23610	23610	0

SPAIN

Stock	High	Low	Close	Change
196 151.5	151.5	151.5	151.5	0
197 151.5	151.5	151.5	151.5	0
198 151.5	151.5	151.5	151.5	0
199 151.5	151.5	151.5	151.5	0
200 151.5	151.5	151.5	151.5	0
201 151.5	151.5	151.5	151.5	0
202 151.5	151.5	151.5	151.5	0
203 151.5	151.5	151.5	151.5	0
204 151.5	151.5	151.5	151.5	0
205 151.5	151.5	151.5	151.5	0

SWEDEN

Stock	High	Low	Close	Change
209 142	142	142	142	0
210 142	142	142	142	0
211 142	142	142	142	0
212 142	142	142	142	0
213 142	142	142	142	0
214 142	142	142	142	0
215 142	142	142	142	0
216 142	142	142	142	0
217 142	142	142	142	0
218 142	142	142	142	0

NETHERLANDS

Stock	High	Low	Close	Change
65.5 55.5	55.5	55.5	55.5	0
65.6 55.5	55.5	55.5	55.5	0
65.7 55.5	55.5	55.5	55.5	0
65.8 55.5	55.5	55.5	55.5	0
65.9 55.5	55.5	55.5	55.5	0
66.0 55.5	55.5	55.5	55.5	0
66.1 55.5	55.5	55.5	55.5	0
66.2 55.5	55.5	55.5	55.5	0
66.3 55.5	55.5	55.5	55.5	0
66.4 55.5	55.5	55.5	55.5	0

NETHERLANDS

Stock	High	Low	Close	Change
65.5 55.5	55.5	55.5	55.5	0
65.6 55.5	55.5	55.5	55.5	0
65.7 55.5	55.5	55.5	55.5	0
65.8 55.5	55.5	55.5	55.5	0
65.9 55.5	55.5	55.5	55.5	0
66.0 55.5	55.5	55.5	55.5	0
66.1 55.5	55.5	55.5	55.5	0
66.2 55.5	55.5	55.5	55.5	0
66.3 55.5	55.5	55.5	55.5	0
66.4 55.5	55.5	55.5	55.5	0

NETHERLANDS

Stock	High	Low	Close	Change
65.5 55.5	55.5	55.5	55.5	0
65.6 55.5	55.5	55.5	55.5	0
65.7 55.5	55.5	55.5	55.5	0
65.8 55.5	55.5	55.5	55.5	0
65.9 55.5	55.5	55.5	55.5	0
66.0 55.5	55.5	55.5	55.5	0
66.1 55.5	55.5	55.5	55.5	0
66.2 55.5	55.5	55.5	55.5	0
66.3 55.5	55.5	55.5	55.5	0
66.4 55.5	55.5	55.5	55.5	0

NETHERLANDS

Stock	High	Low	Close	Change
65.5 55.5	55.5	55.5	55.5	0
65.6 55.5	55.5	55.5	55.5	0
65.7 55.5	55.5	55.5	55.5	0
65.8 55.5	55.5	55.5	55.5	0
65.9 55.5	55.5	55.5	55.5	0
66.0 55.5	55.5	55.5	55.5	0
66.1 55.5	55.5	55.5	55.5	0
66.2 55.5	55.5	55.5	55.5	0
66.3 55.5	55.5	55.5	55.5	0
66.4 55.5	55.5	55.5	55.5	0

NETHERLANDS

Stock	High	Low	Close	Change
65.5 55.5	55.5	55.5	55.5	0
65.6 55.5	55.5	55.5	55.5	0
65.7 55.5	55.5	55.5	55.5	0
65.8 55.5	55.5	55.5	55.5	0
65.9 55.5	55.5	55.5	55.5	0
66.0 55.5	55.5	55.5	55.5	0
66.1 55.5	55.5	55.5	55.5	0
66.2 55.5	55.5	55.5	55.5	0
66.3 55.5	55.5	55.5	55.5	0
66.4 55.5	55.5	55.5	55.5	0

NETHERLANDS

Stock	High	Low	Close	Change
65.5 55.5	55.5	55.5	55.5	0
65.6 55.5	55.5	55.5	55.5	0
65.7 55.5	55.5	55.5	55.5	0
65.8 55.5	55.5	55.5	55.5	0
65.9 55.5	55.5	55.5	55.5	0
66.0 55.5	55.5	55.5	55.5	0
66.1 55.5	55.5	55.5	55.5	0
66.2 55.5	55.5	55.5	55.5	0
66.3 55.5	55.5	55.5	55.5	0
66.4 55.5	55.5	55.5	55.5	0

NETHERLANDS

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NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 45

NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Closing prices
May 8

Continued from Page 44

[illegible]

OVER-THE-COUNTER

Stock	High	Low	Last	Chng	Stock	High	Low	Last	Chng	Stock	High	Low	Last	Chng	Stock	High	Low	Last	Chng					
AADC	18	282	204	204	+	Chemex	30	3462	83	83	+	FIABR.30c	744	13	13	13	+	KLK	42	132	203	23	23	+
AB	28	238	124	177	+	Cherubs	30	114	194	194	+	FIATN	12	148	203	203	+	KLA	95	100	701	181	181	+
ABM	17	24	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
ABM	17	24	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
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Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20	312	174	177	+	Chico	1854	78	77	77	+	FOC	14	50	24	24	+	KM	20	844	221	214	214	+
Admco	20</																							

Continued on Page 43

CURRENCIES, MONEY & CAPITAL MARKETS

THIS ANNOUNCEMENT APPEARS AS A MATTER OF RECORD ONLY

GOVERNMENT OF BARBADOS

£27,000,000
Revolving Loan FacilityArranged by
BARCLAYS BANK PLCManaged by
BARCLAYS BANK PLC
LONDON FORFEITING COMPANY LIMITED
S.F.E. BANK LIMITEDCo-Managed by
ALGEMENE BANK NEDERLAND NV (LONDON OFFICE)
BANQUE AMERICA CAPITAL MARKETS GROUP
BANQUE NATIONALE DE PARIS S.A.
THE NIKKO (LUXEMBOURG) S.A.Provided by
LONDON FORFEITING COMPANY LIMITED
S.F.E. BANK LIMITED
BANQUE AMERICA CAPITAL MARKETS GROUP
BANQUE NATIONALE DE PARIS S.A.
THE NIKKO (LUXEMBOURG) S.A.Agents
BARCLAYS BANK PLC
May 1987

BARCLAYS

AUDIOTEXT'S CITY LINES

CONTINUOUS UPDATES THROUGHOUT THE DAY.

ROLLS ROYCE, TESLA, BENTLEY & RIVIERA

0898 300 308

UPDATED SHARE PRICES

0898 300 470

FOREIGN EXCHANGE

0898 300 472

INSTANT TOP 30 SHARE PRICES

0898 300 471

GILT PRICES - LATEST REPORTS

0898 300 474

HARVARD MONEYLINE

0898 300 375

INVESTORS STOCK MARKET REPORT

0898 300 473

PLUS SPORTS RESULTS

0898 300 400

CRICKET LINE

0898 300 402

HORSE RACING

0898 300 404

GREYHOUNDS

0898 300 401

FOOTBALL

0898 300 403

FOREIGN EXCHANGES

EMS beckons sterling as election fever grows

By Colin Millman

STERLING'S STRENGTH last week increased speculation about the pound's entry later this year into the European Monetary System.

This in turn led to suggestions that the level of interest rates in London remains too high, even after Friday's cut of 1/4 per cent to 9 per cent in bank base rates.

Sterling will not join the EMS before a general election, but since it is now assumed this will be next month, the question of EMS membership is likely to become the subject of increasing discussion in the City.

On Friday, after the good results for the Conservatives in the local council elections, the Bank of England intervened to sell sterling to prevent it breaking through DM3.00. It had already moved above FF110.00.

Clearly a level of DM3.00 would be considered too high for the pound to join the EMS by both the government and the Confederation of British Industry.

This assumes a June election and the return of a government led by Mrs Margaret Thatcher. If there is an election, but no Tory government, sterling may fall to an appropriate level to join the EMS without difficulty, but the political climate is likely to be favourable.

News of Friday's rate cut produced an immediate fall of 1/4 cent to \$1.68 in the value of the pound, after it had touched a peak of around \$1.69 in early trading.

This was short-lived however, and sterling was soon back at \$1.6825, before weakening with other currencies against an improving dollar. It would have certainly moved higher on Friday morning, in reaction to the favourable news for the Conservatives from the local council elections, but met firm resistance from the Bank of England.

The Bank's intervention on the foreign exchanges was mainly aimed at keeping the pound below DM3.00, but intervention and the cut in bank base rates, failed to stop the demand for sterling.

This led to questions about an appropriate level for the pound to join the EMS, and how far interest rates will have to fall to achieve this goal.

Mellon Bank suggested some movement between DM2.50 and DM2.80 as politically and economically acceptable.

If there is to be an early election the Bank of England could find the next month a difficult time for management of the money market and control of sterling's value.

The pound continued to hover just below DM3.00 as the week ended, in spite of lower UK interest rates and persistent intervention by the Bank of England.

Interbank interest rates maintained a downward yield curve, with three-month interbank offered at 5 1/2 per cent at Friday's close, in line with the Bank of England's market intervention rate and slightly below the level of base rates.

According to stockbroker James Capel the situation is now so favourable there is likely to be a cut of another 1 per cent to 8 per cent in base rates by early June.

Capel expects UK unemployment to be below 3m ahead of the election, and Friday's retail price index to show inflation below 4 per cent.

On the other hand, in the run up to an election sterling may be volatile, influenced by the standing of the government in a constant stream of public opinion polls.

Support for the Tories may lead to a strong test of the DM3.00 level, but another cut in UK bank base rates could leave the central bank open to criticism if the political climate changes.

The authorities will not wish to be accused of political bias.

In these circumstances it seems likely the Bank of England may resist any further attempts to cut base rates, at least until the election is out of the way.

£ IN NEW YORK

May 8	Latest	Previous Close
£ spot	1.6740-1.6750	1.6740-1.6750
1 month	0.31-0.30	0.32-0.30
3 months	0.19-0.18	0.19-0.18
12 months	1.18-1.10	1.13-1.23

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

May 8	Latest	Previous Close
5.00 am	72.8	72.4
9.00 am	72.7	72.4
11.00 am	72.7	72.5
1.00 pm	72.8	72.5
3.00 pm	72.4	72.6
4.00 pm	72.6	72.4

CURRENCY RATES

May 8	Bank	Special	European
Sterling	72.8	0.6274	1.6740-1.6750
U.S. dollar	100.2	1.3079	0.31-0.30
Canadian dollar	76.0	1.3554	0.19-0.18
Australian dollar	16.0	1.4596	1.18-1.10
Belgian franc	4.0	2.0762	0.32-0.30
Dutch guilder	3.0	2.0762	0.19-0.18
French franc	6.5	2.0762	0.32-0.30
German mark	1.0	2.0762	0.19-0.18
Italian lira	11.5	2.0762	1.18-1.10
Japanese yen	100.0	2.0762	0.32-0.30
Norwegian krone	8.0	2.0762	0.19-0.18
Spanish peseta	166.0	2.0762	1.18-1.10
Swedish krona	4.6	2.0762	0.32-0.30
Swiss franc	2.0	2.0762	0.19-0.18
Irish punt	7.8	2.0762	0.32-0.30

*CIBSR rate for May 7, 1.75229

CURRENCY MOVEMENTS

May 8	Bank	Special	European
Sterling	72.8	0.6274	1.6740-1.6750
U.S. dollar	100.2	1.3079	0.31-0.30
Canadian dollar	76.0	1.3554	0.19-0.18
Australian dollar	16.0	1.4596	1.18-1.10
Belgian franc	4.0	2.0762	0.32-0.30
Dutch guilder	3.0	2.0762	0.19-0.18
French franc	6.5	2.0762	0.32-0.30
German mark	1.0	2.0762	0.19-0.18
Italian lira	11.5	2.0762	1.18-1.10
Japanese yen	100.0	2.0762	0.32-0.30
Norwegian krone	8.0	2.0762	0.19-0.18
Spanish peseta	166.0	2.0762	1.18-1.10
Swedish krona	4.6	2.0762	0.32-0.30
Swiss franc	2.0	2.0762	0.19-0.18
Irish punt	7.8	2.0762	0.32-0.30

Morgan Guaranty changed: average 1980-1982=100. Bank of England index (base average 1979=100).

OTHER CURRENCIES

May 8	Bank	Special	European
Argentina	2.4000-2.4000	1.5440-1.5720	0.32-0.30
Australia	2.4000-2.4000	1.5440-1.5720	0.32-0.30
Canada	76.0	1.3554	0.19-0.18
Denmark	16.0	1.4596	1.18-1.10
Finland	2.4000-2.4000	1.5440-1.5720	0.32-0.30
France	6.5	2.0762	0.32-0.30
Germany	1.0	2.0762	0.19-0.18
Greece	2.4000-2.4000	1.5440-1.5720	0.32-0.30
Hong Kong	10.0	1.3079	0.31-0.30
India	10.0	1.3079	0.31-0.30
Indonesia	10.0	1.3079	0.31-0.30
Italy	11.5	2.0762	1.18-1.10
Japan	100.0	2.0762	0.32-0.30
Korea	10.0	1.3079	0.31-0.30
Malaysia	10.0	1.3079	0.31-0.30
Netherlands	1.0	2.0762	0.19-0.18
New Zealand	10.0	1.3079	0.31-0.30
Norway	8.0	2.0762	0.19-0.18
Portugal	10.0	1.3079	0.31-0.30
Spain	166.0	2.0762	1.18-1.10
Sweden	4.6	2.0762	0.32-0.30
Switzerland	2.0	2.0762	0.19-0.18
Taiwan	10.0	1.3079	0.31-0.30
Thailand	10.0	1.3079	0.31-0.30
U.K.	72.8	0.6274	1.6740-1.6750
U.S.	100.2	1.3079	0.31-0.30

FORWARD RATES

FORWARD RATES AGAINST STERLING					
	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.6750	1.6721	1.6683	1.6653	1.6632
D-mark	2.9950	2.9817	2.9577	2.9251	2.8655
French Fr.	10.0050	10.0043	10.0038	10.0039	10.0042
Swiss Fr.	2.4625	2.4505	2.4308	2.4053	2.3562
Yen	234.00	232.95	231.02	228.40	223.38

1 UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible franc. Financial time 37.35-37.45.

EMS EUROPEAN CURRENCY UNIT RATES

May 8	Bank	Special	European
Belgian franc	4.0	2.0762	0.32-0.30
Dutch guilder	3.0	2.0762	0.19-0.18
French franc	6.5	2.0762	0.32-0.30
German mark	1.0	2.0762	0.19-0.18
Italian lira	11.5	2.0762	1.18-1.10
Japanese yen	100.0	2.0762	0.32-0.30
Norwegian krone	8.0	2.0762	0.19-0.18
Spanish peseta	166.0	2.0762	1.18-1.10
Swedish krona	4.6	2.0762	0.32-0.30
Swiss franc	2.0	2.0762	0.19-0.18
Irish punt	7.8	2.0762	0.32-0.30

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustments calculated by Financial Times.

EXCHANGE CROSS RATES

May 8	Bank	Special	European
£ 1	1.675	2.995	24.81
DM 1	1.675	2.995	24.81
FF 1	1.675	2.995	24.81
YEN 1	1.675	2.995	24.81
FRF 1	1.675	2.995	24.81
ITL 1	1.675	2.995	24.81
JPY 1	1.675	2.995	24.81
NOK 1	1.675	2.995	24.81
ESP 1	1.675	2.995	24.81
SEK 1	1.675	2.995	24.81
CHF 1	1.675	2.995	24.81
IRP 1	1.675	2.995	24.81

Yen per 1,000; French Fr per 100; Lira per 1,000; Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

May 8	Bank	Special	European
Sterling	72.8	0.6274	1.6740-1.6750
U.S. dollar	100.2	1.3079	0.31-0.30
Canadian dollar	76.0	1.3554	0.19-0.18
Australian dollar	16.0	1.4596	1.18-1.10
Belgian franc	4.0	2.0762	0.32-0.30
Dutch guilder	3.0	2.0762	0.19-0.18
French franc	6.5	2.0762	0.32-0.30
German mark	1.0	2.0762	0.19-0.18
Italian lira	11.5	2.0762	1.18-1.10
Japanese yen	100.0	2.0762	0.32-0.30
Norwegian krone	8.0	2.0762	0.19-0.18
Spanish peseta	166.0	2.0762	1.18-1.10
Swedish krona	4.6	2.0762	0.32-0.30
Swiss franc	2.0	2.0762	0.19-0.18
Irish punt	7.8	2.0762	0.32-0.30

Long-term Eurodollar: Two years 8 1/4-8 3/4 per cent; three years 8 1/2-8 3/4 per cent; four years 8 1/2-8 3/4 per cent; five years 8 1/2-8 3/4 per cent. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

May 8	Bank	Special	European
US dollar	1.6740-1.6750	0.31-0.30	1.6740-1.6750
Canadian dollar	0.31-0.30	0.19-0.18	0.31-0.30
Australian dollar	1.18-1.10	1.18-1.10	1.18-1.10
Belgian franc	0.32-0.30	0.32-0.30	0.32-0.30
Dutch guilder	0.19-0.18	0.19-0.18	0.19-0.18
French franc	0.32-0.30	0.32-0.30	0.32-0.30
German mark	0.19-0.18	0.19-0.18	0.19-0.18
Italian lira	1.18-1.10	1.18-1.10	1.18-1.10
Japanese yen	0.32-0.30	0.32-0.30	0.32-0.30
Norwegian krone	0.19-0.18	0.19-0.18	0.19-0.18
Spanish peseta	1.18-1.10	1.18-1.10	1.18-1.10
Swedish krona	0.32-0.30	0.32-0.30	0.32-0.30
Swiss franc	0.19-0.18	0.19-0.18	0.19-0.18
Irish punt	0.32-0.30	0.32-0.30	0.32-0.30

Belgian rate is for convertible franc. Financial time 37.40-37.45. Six-month forward dollar 1.00-0.95 c per 12-month 1.25-1.15 c per 12-month.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

May 8	Bank	Special	European
US dollar	1.6740-1.6750	0.31-0.30	1.6740-1.6750
Canadian dollar	0.31-0.30	0.19-0.18	0.31-0.30
Australian dollar	1.18-1.10	1.18-1.10	1.18-1.10
Belgian franc	0.32-0.30	0.32-0.30	0.32-0.30
Dutch guilder	0.19-0.18	0.19-0.18	0.19-0.18
French franc	0.32-0.30	0.32-0.30	0.32-0.30
German mark	0.19-0.18	0.19-0.18	0.19-0.18
Italian lira	1.18-1.10	1.18-1.10	1.18-1.10
Japanese yen	0.32-0.30	0.32-0.30	0.32-0.30
Norwegian krone	0.19-0.18	0.19-0.18	0.19-0.18
Spanish peseta	1.18-1.10	1.18-1.10	1.18-1.10
Swedish krona	0.32-0.30	0.32-0.30	0.32-0.30
Swiss franc	0.19-0.18	0.19-0.18	0.19-0.18
Irish punt	0.32-0.30	0.32-0.30	0.32-0.30

1 UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible franc. Financial time 37.35-37.45.

MONEY MARKETS

Better tone after US auctions

LAST WEEK'S programme of US Treasury auctions dominated sentiment surrounding the dollar, leading to a nervous recovery by the currency.

Reaction Tuesday's three-year note auction was not good, and although Wednesday's 10-year note auction was not considered a disaster, it was also not a great success.

UK clearing bank base lending rate 9 per cent since May 8

The main question overhanging the auctions was the level of Japanese participation. Dealers suspected Japanese investors bought only about 15 per cent of the \$9.75bn 10-year notes on offer, and feared they would buy only about 20 per cent of the \$9.25bn 30-year bonds auctioned Thursday.

In the event Japanese securities houses appear to have bought 40 per cent of the bonds offered, giving a better tone to US credit markets and providing support for the dollar.

The dollar was also helped by much better than expected April

US unemployment figures. Forecasts for unemployment were in the region of 6.5 per cent, with the non-farm payroll rising about 250,000, but the April figure fell 0.3 per cent to 6.3 per cent, and non-farm employment rose 316,000.

The better tone to the credit markets and the unemployment data lifted the dollar on Friday.

FT LONDON INTERBANK FIDING

11.00 a.m. May 8 3 months U.S. dollars	
bid 7½	offer 7½

The fixing rates are the arithmetic means, rounded to the nearest 1/16, of the bid and offer rates for \$10m quoted by the market to fix the rates for the period 11.00 a.m. to 11.30 a.m. on the day of the transaction.

The banks are National Westminster Bank, Bank of Paris and Morgan Guaranty Trust.

The fixing rates are the arithmetic means, rounded to the nearest one-eighth, of the bid and offer rates for \$10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Paribas and Bank of Montreal.

BANK OF ENGLAND TREASURY BILL TENDER

May 8	Bank	Special	European
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